

**CENTRAL TEXAS COLLEGE DISTRICT**  
**ANNUAL FINANCIAL REPORT**

**August 31, 2019**

**CENTRAL TEXAS COLLEGE DISTRICT**  
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**August 31, 2019**

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**CENTRAL TEXAS COLLEGE DISTRICT**

**ORGANIZATIONAL DATA  
for the Fiscal Year 2019**

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**Board of Trustees**

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| <u>Members</u>                       | <u>City</u>        | <u>Term Expires</u> |
|--------------------------------------|--------------------|---------------------|
| BG (Ret) Rex Weaver, Chair           | Killeen, TX        | May, 2023           |
| Jimmy Towers, Vice Chair             | Killeen, TX        | May, 2025           |
| Bill Beebe, Treasurer                | Harker Heights, TX | May, 2021           |
| Brenda Coley, Secretary              | Belton, TX         | May, 2025           |
| Don Armstrong, Member                | Killeen, TX        | May, 2023           |
| Charles Hollinger, Member            | Killeen, TX        | May, 2025           |
| SFC (Ret) James A Pierce, Jr, Member | Copperas Cove, TX  | May, 2025           |

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**Key Officers**

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|                       |  |
|-----------------------|--|
| Jim Yeonopolus        | Chancellor   |
| Michele Carter, Ed.D. | Deputy Chancellor, Finance & Administration            |
| Tina Ady, Ph.D.       | Deputy Chancellor, Instruction & Workforce Initiatives |
| Robin Garrett, Ph.D.  | Deputy Chancellor, Academic & Student Success          |
| Bob Liberty           | Associate Deputy Chancellor, Financial Management      |



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CERTIFIED PUBLIC ACCOUNTANTS

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KILLEEN • COPPERAS COVE • TEMPLE

*Member of  
American Institute & Texas Society of  
Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Board of Trustees  
Central Texas College District  
Killeen, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Central Texas College District, (the District) as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

## INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Central Texas College District as of August 31, 2019 and 2018, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of District's Proportionate Share of Net Pension Liability, the Schedule of District's Contributions for Pensions, the Schedule of District's Proportionate Shares of Net OPEB Liability, and the Schedule of District's Contributions for OPEB, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules (schedules A through D) as described in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (schedule E) and schedule of expenditures of state awards (schedule F) are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements.

**INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL  
STATEMENTS AND SUPPLEMENTAL INFORMATION (CONTINUED)**

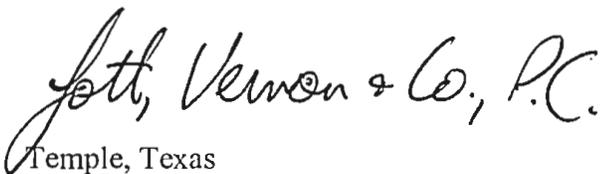
*Other Information (continued)*

The supplemental schedules, the schedule of expenditures of federal awards and the schedule of expenditures of state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The additional information (Schedules G, G-1, and G-2 - all marked "unaudited") have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Temple, Texas  
December 12, 2019

**Central Texas College District  
Annual Financial Report  
Management’s Discussion and Analysis  
For the Year Ended August 31, 2019**

This section of the Central Texas College District (the College) annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended August 31, 2019. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with the financial statements and footnotes. This discussion and analysis is designed to focus on current activities, resulting change and current known facts. For management’s discussion and analysis, we have presented the previous year’s financial information in order to provide a comparison. The financial statements, footnotes and this discussion are the responsibility of management.

**BASIC FINANCIAL STATEMENTS**

The basic financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” and Statement No. 35, “Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities”. Three primary statements are required: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Financial statements for the College’s component unit, the Central Texas College Foundation (the Foundation) are issued independent to those of the College but are presented with the College’s basic financial statements.

One of the most important questions asked about the College’s finances is whether or not the College’s financial position has improved as a result of the year’s activities. The key to understanding this question is the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. These statements present financial information in a form similar to that used by corporations. The College’s net position is one indicator of its financial health. Over time, increases or decreases in net position are one indicator of the improvement or erosion of the College’s financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Net Position includes all assets and liabilities. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or non-operating.

## **CENTRAL TEXAS COLLEGE DISTRICT**

Management's Discussion and Analysis

For the Year Ended August 31, 2019

The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the College's ability to meet financial obligations as they mature. The Statement of Cash Flows presents the information related to cash inflows and outflows summarized by operating, capital and non-capital financing and investing activities.

Required supplementary audited financial information related to pensions and OPEB is presented as well as Schedules A through F. Each of these schedules presents in detail information from the basic financial statements.

Schedules G, G-1 and G-2 are provided to reflect the campus organizational structure of the College. These schedules are not required by GASB and are not audited.

### **FINANCIAL AND ENROLLMENT HIGHLIGHTS**

- The combination of Cash and Investments are down approximately \$11.5 million from the previous fiscal year. The primary reason for this is significant capital expenditures for infrastructure.
- Federal contract revenue is down approximately \$7 million. Almost the entire decrease can be attributed to the end of the Navy PACE contract.
- Tuition and Fees were up approximately \$2 million. This is a 5.9% increase from the previous fiscal year. The increase is attributed to a 5.7% increase in enrollments at the Texas Campuses as well as several successful transition programs with exiting service members at Ft Hood.
- The College continued its infrastructure upgrades and expended \$13.3 million on capital assets. This is a decrease of \$5.3 million from the previous fiscal year.

### **STATEMENT OF NET POSITION**

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector institutions. Net position - the difference between assets and liabilities - are one way to measure the financial health of the college.

**CENTRAL TEXAS COLLEGE DISTRICT**

## Management's Discussion and Analysis

For the Year Ended August 31, 2019

(In Millions)

|  | <u>2019</u>  | <u>2018</u>  | <u>% Change</u> | <u>2017</u>  |
|--|--------------|--------------|-----------------|--------------|
| Current assets:                          |              |              |                 |              |
| Cash and cash equivalents                | \$ 83.6      | \$ 86.0      | (2.8)           | \$ 79.9      |
| Short-term investments                   | 2.5          |              | 100.0           |              |
| Receivables                              | 14.2         | 13.4         | 6.0             | 12.9         |
| Inventory, prepaid expenses and other    | <u>1.8</u>   | <u>2.4</u>   | <u>(25.0)</u>   | <u>2.3</u>   |
| Total current assets                     | 102.1        | 101.8        | .3              | 95.1         |
| Non-current assets:                      |              |              |                 |              |
| Restricted Cash                          | .6           | .5           | 20.0            | .5           |
| Long-term investments                    | 28.0         | 39.7         | (29.5)          | 50.4         |
| Notes Receivable                         | .1           | -            | 100.0           | .1           |
| Capital assets, net of depreciation      | <u>141.7</u> | <u>132.1</u> | <u>7.3</u>      | <u>117.4</u> |
| Total non-current assets                 | <u>170.4</u> | <u>172.3</u> | <u>(1.1)</u>    | <u>168.4</u> |
| Total assets                             | <u>272.5</u> | <u>274.1</u> | <u>(.6)</u>     | <u>263.5</u> |
| Deferred Outflows of Resources           |              |              |                 |              |
| Deferred Outflows Related to Pensions    | 11.0         | 4.4          | 150.0           | 6.2          |
| Deferred Outflows Related to OPEB        | <u>.5</u>    | <u>2.2</u>   | <u>(77.3)</u>   | <u>-</u>     |
| Total Deferred Outflows of Resources     | 11.5         | 6.6          | 74.3            | 6.2          |
| Current liabilities:                     |              |              |                 |              |
| Accounts payable and accrued liabilities | 20.8         | 26.9         | (22.7)          | 22.4         |
| Accrued absences                         | .3           | .3           | -               | .3           |
| Unearned Revenues                        | 11.1         | 13.3         | (16.5)          | 11.3         |
| Net OPEB Liability                       | <u>.8</u>    | <u>.4</u>    | <u>100.0</u>    | <u>-</u>     |
| Total current liabilities                | 33.0         | 40.9         | (19.3)          | 34.0         |
| Non-current liabilities:                 |              |              |                 |              |
| Accrued absences                         | 1.3          | 1.2          | 8.3             | 1.3          |
| Net Pension liability                    | 24.6         | 16.9         | 45.6            | 22.0         |
| Net OPEB liability                       | <u>53.2</u>  | <u>77.5</u>  | <u>(31.4)</u>   | <u>-</u>     |
| Total non-current liabilities            | <u>79.1</u>  | <u>95.6</u>  | <u>(17.3)</u>   | <u>23.3</u>  |
| Total liabilities                        | 112.1        | 136.5        | (17.9)          | 57.3         |

**CENTRAL TEXAS COLLEGE DISTRICT**

Management's Discussion and Analysis  
For the Year Ended August 31, 2019

**Statement of Net Position (continued)**

(In Millions)

|   | <u>2019</u>   | <u>2018</u>   | <u>% Change</u> | <u>2017</u>  |
|---|---------------|---------------|-----------------|--------------|
| Deferred Inflows of Resources                   |               |               |                 |              |
| Deferred Inflows Related to Pensions            | 8.5           | 9.5           | (10.5)          | 7.0          |
| Deferred Inflows Related to OPEB                | <u>35.5</u>   | <u>17.2</u>   | <u>106.4</u>    | <u>-</u>     |
| Total Deferred Inflows of Resources             | 44.0          | 26.7          | 64.8            | 7.0          |
| Net position as restated (Note 2)               |               |               |                 |              |
| Invested in capital assets, net of related debt | 141.7         | 132.1         | 7.3             | 117.4        |
| Restricted                                      | 2.0           | 1.5           | 33.3            | 1.3          |
| Unrestricted                                    | <u>(15.8)</u> | <u>(16.1)</u> | <u>(1.9)</u>    | <u>86.7</u>  |
| Total net position                              | <u>127.9</u>  | <u>117.5</u>  | <u>8.9</u>      | <u>205.4</u> |

Federal, state and local statutes require certain net positions be restricted for future use. Other net positions are unrestricted; however, a majority of these net positions have been designated or reserved for specific purposes such as: working capital for instructional programs, future construction projects and reserves for insurance and post retirement benefits.

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

The Statement of Revenues, Expenses and Changes in Net Position present the operating results of the college, as well as the non-operating revenues and expenses. Annual ad valorem tax revenues, while budgeted for operations, are considered non-operating revenues in GASB 34-35. Additionally, State appropriations, which previously have been classified as operating revenues, were reclassified as non-operating revenues in accordance with directives from the Texas Higher Education Coordinating Board (THECB). This reclassification is designed to align Texas Community College's financial presentation with that of other States.

(In Millions)

|                      | <u>2019</u> | <u>2018</u> | <u>% Change</u> | <u>2017</u> |
|----------------------|-------------|-------------|-----------------|-------------|
| Operating revenue:   |             |             |                 |             |
| Net tuition and fees | \$ 39.4     | \$ 37.2     | 5.9             | \$ 39.6     |
| Federal Funds        | 8.7         | 15.7        | (44.6)          | 13.4        |
| Grants and Contracts | 2.2         | 2.1         | 4.8             | 1.9         |
| Auxiliary Funds      | 4.6         | 5.1         | (9.8)           | 6.3         |
| Other                | <u>1.2</u>  | <u>1.0</u>  | <u>20.0</u>     | <u>1.3</u>  |
| Total                | 56.1        | 61.1        | (8.2)           | 62.5        |

**CENTRAL TEXAS COLLEGE DISTRICT**

Management's Discussion and Analysis

For the Year Ended August 31, 2019

**Statement of Revenues Expenses and Changes in Net Position (continued)**

|  | (In Millions)   |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <u>2019</u>     | <u>2018</u>     | <u>% Change</u> | <u>2017</u>     |
| Operating expenses                                 | <u>103.3</u>    | <u>114.2</u>    | <u>(9.5)</u>    | <u>118.7</u>    |
| Net operating loss                                 | <u>(47.2)</u>   | <u>(53.1)</u>   | <u>(11.1)</u>   | <u>(56.2)</u>   |
| Non-operating revenues (expenses)                  |                 |                 |                 |                 |
| State Appropriations                               | 21.6            | 22.0            | (1.9)           | 23.1            |
| Local ad valorem taxes                             | 13.3            | 13.3            | -               | 12.3            |
| Federal Revenue, Non Operating                     | 20.3            | 19.3            | 5.2             | 20.2            |
| Investment income                                  | 2.4             | 1.5             | 60.0            | 1.3             |
| Other Non-Operating Revenues                       | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>.1</u>       |
| Total  | <u>57.6</u>     | <u>56.1</u>     | <u>2.7</u>      | <u>57.0</u>     |
| Increase in net position                           | <u>10.4</u>     | <u>3.0</u>      | <u>246.7</u>    | <u>.8</u>       |
| Net position – Beginning of year for 2017 restated | 117.5           | 205.4           | (42.8)          | 204.6           |
| Cumul Effect of Change in Accounting Principle     |                 | <u>(90.9)</u>   | <u>100.0</u>    | <u>-</u>        |
| Net position – Beginning of year restated          | <u>117.5</u>    | <u>114.4</u>    | <u>2.7</u>      | <u>204.6</u>    |
| Net position - End of year restated                | <u>\$ 127.9</u> | <u>\$ 117.5</u> | <u>8.9</u>      | <u>\$ 205.4</u> |

**OPERATING EXPENSES (by functional classification)**

|                                    | (In Millions)  |                |                 |                 |
|------------------------------------|----------------|----------------|-----------------|-----------------|
|                                    | <u>2019</u>    | <u>2018</u>    | <u>% Change</u> | <u>2017</u>     |
| Instruction                        | \$ 33.7        | \$ 38.3        | (12.0)          | \$ 37.8         |
| Public service                     | .4             | 1.7            | (76.5)          | 1.5             |
| Academic support                   | 7.0            | 7.1            | (1.4)           | 8.3             |
| Student services                   | 8.6            | 8.8            | (2.3)           | 10.0            |
| Institutional support              | 15.7           | 20.8           | (24.5)          | 22.2            |
| Operation and maintenance of plant | 6.9            | 6.9            | -               | 7.5             |
| Scholarships and related expenses  | 23.3           | 22.0           | 5.9             | 22.0            |
| Auxiliary activities               | 4.0            | 4.8            | (16.7)          | 5.7             |
| Depreciation                       | <u>3.7</u>     | <u>3.8</u>     | <u>(2.6)</u>    | <u>3.7</u>      |
| Total Expenses                     | <u>\$103.3</u> | <u>\$114.2</u> | <u>(9.5)</u>    | <u>\$ 118.7</u> |

**CENTRAL TEXAS COLLEGE DISTRICT**

Management's Discussion and Analysis

For the Year Ended August 31, 2019

**OPERATING EXPENSES (by natural classification)**

|                                   | (In Millions) |             |                 |             |
|-----------------------------------|---------------|-------------|-----------------|-------------|
|                                   | <u>2019</u>   | <u>2018</u> | <u>% Change</u> | <u>2017</u> |
| Salaries and wages                | \$ 46.5       | \$ 46.6     | (.2)            | \$ 50.1     |
| State Benefits                    | 4.7           | 5.3         | (11.3)          | 4.5         |
| Local Benefits                    | 10.6          | 10.0        | 6.0             | 11.7        |
| Scholarships and related expenses | 23.3          | 21.9        | 6.4             | 21.9        |
| Supplies and related expenses     | 14.5          | 26.6        | (45.5)          | 26.8        |
| Depreciation                      | <u>3.7</u>    | <u>3.8</u>  | <u>(2.6)</u>    | <u>3.7</u>  |
|                                   | \$ 103.3      | \$114.2     | (9.5)           | \$118.7     |

Supplies and related expenses decreased significantly from the previous fiscal year due to ending of the Navy PACE contract and the decrease in expenditures related in the changes in GASB 68 and 75.

**STATEMENT OF CASH FLOWS**

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also helps users assess the college's ability to generate net cash flows, its ability to meet its obligations as they come due and its need for external financing.

|  | (In Millions) |             |                 |              |
|--|---------------|-------------|-----------------|--------------|
|  | <u>2019</u>   | <u>2018</u> | <u>% Change</u> | <u>2017</u>  |
| Cash provided by (used in):              |               |             |                 |              |
| Operating activities                     | \$(52.1)      | \$(39.9)    | 30.6            | \$ (48.6)    |
| Non-capital financing activities         | 51.4          | 52.5        | (2.1)           | 54.9         |
| Capital and related financing activities | (13.3)        | (18.6)      | (28.5)          | (14.0)       |
| Investing activities                     | <u>11.7</u>   | <u>12.1</u> | <u>(3.3)</u>    | <u>(4.6)</u> |
| Net increase (decrease) in cash          | (2.3)         | 6.1         | (137.7)         | (12.3)       |
| Cash - beginning of year                 | <u>86.5</u>   | <u>80.4</u> | <u>7.6</u>      | <u>92.7</u>  |
| Cash - end of year                       | \$ 84.2       | \$ 86.5     | (2.7)           | \$ 80.4      |

## **CENTRAL TEXAS COLLEGE DISTRICT**

Management's Discussion and Analysis

For the Year Ended August 31, 2019

Cash flows from operating activities represents the difference in the incoming and outgoing cash for all educational operations while cash flows from non-capital financing activities represents the collection from local ad valorem taxes, State appropriations and federal, non-operating revenue. Cash flows from capital and related financing activities represent's the cash paid to contractors during the year for construction projects and for the purchase of other capital assets. The decrease was due to the wind down and completion for the campus wide infrastructure project. Overall cash position remained reasonably consistent.

### **THE WAY AHEAD**

CTC continually identifies its strengths and weaknesses by reviewing the institution's current and historical trends. We continue to see upward movement in 2020 student enrollments as we work on strategies to keep enrollments stable. Factors that help maintain sustainable student enrollment growth include initiatives that provide insight and support to help independent school districts (ISDs) develop curricula to best prepare graduates for college-level work and identify career-specific critical skills for students who have a particular job interest beyond high school. In addition to established partnerships with local ISDs, CTC has partnerships with area higher education institutions and employers. The college has increased targeting of market specific initiatives to increase the CTC brand/visibility in the region. Furthermore, we are closely monitoring the potential financial impact of the Naval Community College, Army University, and DEFENDER-Europe 20, a joint multi-national U.S. Army Europe-led U.S. European Command exercise.

CTC is finding innovative solutions to meet the demand of our diverse student population and changing workforce. Our emphasis is on connecting the surrounding community to support students. As with our new commissioner for the Texas Higher Education Coordinating Board, Dr. Harrison Keller, CTC is making great strides toward the fulfillment of our mission and continued work toward achieving the goals of 60x30TX. We firmly believe that preparation for the workforce should be the goal and outcome for every student, every program of study, and every institution of higher education. The College continues to remain optimistic as we address substantive challenges such as legislative mandates and military tuition assistance rule changes.

Successful fulfillment of CTC's mission cannot be realized without the continued dedication and commitment from all college employees.

## **FINANCIAL STATEMENTS**

**CENTRAL TEXAS COLLEGE DISTRICT  
STATEMENTS OF NET POSITION  
AUGUST 31, 2019 and AUGUST 31, 2018**

**Exhibit 1**

| <b>ASSETS</b>                                   | <b>FISCAL YEAR</b>    | <b>FISCAL YEAR</b>    |
|---|-----------------------|-----------------------|
|   | <b>2019</b>           | <b>2018</b>           |
| <b>Current Assets</b>                           |                       |                       |
| Cash and Cash Equivalents                       | \$ 83,621,909         | \$ 86,031,347         |
| Short-Term Investments                          | 2,500,000             |                       |
| Accounts Receivable (net)                       | 14,215,598            | 13,337,447            |
| Inventories                                     | 1,551,396             | 1,490,003             |
| Prepaid Expenses                                | 229,332               | 915,555               |
| <b>Total Current Assets</b>                     | <u>102,118,235</u>    | <u>101,774,352</u>    |
| <b>Noncurrent Assets</b>                        |                       |                       |
| Restricted Cash and Cash Equivalents            | 593,496               | 509,926               |
| Other Long-Term Investments                     | 28,004,639            | 39,687,900            |
| Notes Receivable                                | 80,524                | 73,728                |
| Capital Assets (net) (See Note 7)               | 141,711,813           | 132,144,969           |
| <b>Total Noncurrent Assets</b>                  | <u>170,390,472</u>    | <u>172,416,523</u>    |
| <b>Total Assets</b>                             | <u>272,508,707</u>    | <u>274,190,875</u>    |
| <b>Deferred Outflows of Resources</b>           |                       |                       |
| Deferred Outflows Related to Pensions           | 11,022,787            | 4,376,034             |
| Deferred Outflows Related to OPEB               | 453,047               | 2,177,324             |
| <b>Total Deferred Outflows of Resources</b>     | <u>11,475,834</u>     | <u>6,553,358</u>      |
| <b>LIABILITIES</b>                              |                       |                       |
| <b>Current Liabilities</b>                      |                       |                       |
| Accounts Payable                                | 4,493,875             | 10,474,227            |
| Accrued Liabilities                             | 15,955,036            | 16,010,974            |
| Accrued Compensable Absences-Current Portion    | 328,971               | 311,369               |
| Funds Held for Others                           | 373,903               | 432,858               |
| Unearned Revenues                               | 11,068,647            | 13,311,227            |
| Net OPEB Liability-Current Portion              | 793,981               | 395,290               |
| <b>Total Current Liabilities</b>                | <u>33,014,413</u>     | <u>40,935,945</u>     |
| <b>Noncurrent Liabilities</b>                   |                       |                       |
| Accrued Compensable Absences                    | 1,315,884             | 1,245,478             |
| Net Pension Liability                           | 24,601,154            | 16,859,073            |
| Net OPEB Liability                              | 53,182,285            | 77,508,230            |
| <b>Total Noncurrent Liabilities</b>             | <u>79,099,323</u>     | <u>95,612,781</u>     |
| <b>Total Liabilities</b>                        | <u>112,113,736</u>    | <u>136,548,726</u>    |
| <b>Deferred Inflows of Resources</b>            |                       |                       |
| Deferred Inflows Related to Pensions            | 8,453,277             | 9,519,689             |
| Deferred Inflows Related to OPEB                | 35,501,062            | 17,224,842            |
| <b>Total Deferred Inflows of Resources</b>      | <u>43,954,339</u>     | <u>26,744,531</u>     |
| <b>NET POSITION</b> as restated (Note 2)        |                       |                       |
| Invested in Capital Assets, Net of Related Debt | 141,711,813           | 132,144,962           |
| Restricted for:                                 |                       |                       |
| Scholarships and Grants                         | 1,988,266             | 1,432,833             |
| Unrestricted                                    | (15,783,613)          | (16,126,819)          |
| <b>Total Net Position (Schedule D)</b>          | <u>\$ 127,916,466</u> | <u>\$ 117,450,976</u> |

The accompanying notes are an integral part of the financial statements.

**CENTRAL TEXAS COLLEGE FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AUGUST 31, 2019 and August 31, 2018**

**Exhibit 1 - A**

|   | <b>FISCAL YEAR<br/>2019</b> | <b>FISCAL YEAR<br/>2018</b> |
|---|-----------------------------|-----------------------------|
| <b>ASSETS</b>                           |                             |                             |
| <b>Current Assets</b>                   |                             |                             |
| Cash                                    | \$ 105,570                  | \$ 71,658                   |
| <b>Total Current Assets</b>             | <u>105,570</u>              | <u>71,658</u>               |
| <b>Restricted Assets</b>                |                             |                             |
| Cash                                    | 66,315                      | 320,310                     |
| Investments                             | 9,192,121                   | 8,245,282                   |
| CSV - Life Insurance                    | 106,337                     | 101,719                     |
| <b>Total Restricted Assets</b>          | <u>9,364,773</u>            | <u>8,667,311</u>            |
| <b>Total Assets</b>                     | <u><u>9,470,343</u></u>     | <u><u>8,738,969</u></u>     |
| <b>LIABILITIES</b>                      |                             |                             |
| Accounts Payable                        | <u>422,661</u>              | <u>648,143</u>              |
| <b>Total Liabilities</b>                | <u>422,661</u>              | <u>648,143</u>              |
| <b>Net Assets</b>                       |                             |                             |
| Without Donor Restrictions              | 100,871                     | 64,415                      |
| With Donor Restrictions                 | <u>8,946,811</u>            | <u>8,026,411</u>            |
| <b>Total Net Assets</b>                 | <u>9,047,682</u>            | <u>8,090,826</u>            |
| <b>Total Liabilities and Net Assets</b> | <u><u>9,470,343</u></u>     | <u><u>8,738,969</u></u>     |

The accompanying notes are an integral part of these financial statements.

**CENTRAL TEXAS COLLEGE DISTRICT**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended August 31, 2019 and August 31, 2018**

**Exhibit 2**

|  | <u>FISCAL YEAR</u><br><u>2019</u> | <u>FISCAL YEAR</u><br><u>2018</u> |
|--|-----------------------------------|-----------------------------------|
| <b>Operating Revenues</b>                              |                                   |                                   |
| Tuition and Fees (Net)                                 | \$ 39,425,313                     | \$ 37,130,010                     |
| Federal Grants and Contracts                           | 8,737,300                         | 15,726,918                        |
| State Grants and Contracts                             | 1,307,392                         | 1,124,351                         |
| Non-Governmental Grants and Contracts                  | 852,880                           | 953,586                           |
| Auxiliary Enterprises ( net of discounts)              | 4,643,296                         | 5,126,020                         |
| General Operating Revenues                             | <u>1,159,956</u>                  | <u>1,026,105</u>                  |
| <b>Total Operating Revenues (Schedule A)</b>           | <u>56,126,137</u>                 | <u>61,086,990</u>                 |
| <b>Operating Expenses</b>                              |                                   |                                   |
| Instruction  | 33,731,998                        | 38,272,090                        |
| Public Service   | 448,418                           | 1,720,093                         |
| Academic Support                                       | 6,968,476                         | 7,068,972                         |
| Student Services                                       | 8,607,857                         | 8,848,616                         |
| Institutional Support                                  | 15,673,404                        | 20,777,334                        |
| Operation and Maintenance of Plant                     | 6,913,592                         | 6,898,896                         |
| Scholarships and Fellowships                           | 23,305,770                        | 22,014,966                        |
| Auxiliary Enterprises                                  | 3,990,253                         | 4,757,583                         |
| Depreciation   | <u>3,700,191</u>                  | <u>3,820,064</u>                  |
| <b>Total Operating Expenses (Schedule B)</b>           | <u>103,339,959</u>                | <u>114,178,614</u>                |
| <b>Operating Loss</b>                                  | <u>(47,213,822)</u>               | <u>(53,091,624)</u>               |
| <b>Non-Operating Revenues (Expenses)</b>               |                                   |                                   |
| State Appropriations                                   | 21,588,941                        | 22,018,339                        |
| Ad Valorem Taxes (Net)                                 | 13,352,061                        | 13,331,476                        |
| Federal Revenue, Non Operating                         | 20,288,160                        | 19,341,915                        |
| Investment Income                                      | 2,448,346                         | 1,456,746                         |
| Other Non-Operating Revenues (Expenses)                | <u>1,804</u>                      | <u>(34,324)</u>                   |
| <b>Net Non-Operating Revenues (Schedule C)</b>         | <u>57,679,312</u>                 | <u>56,114,152</u>                 |
| <b>Increase/(Decrease) in Net Position</b>             | <u>10,465,490</u>                 | <u>3,022,528</u>                  |
| <b>Net Position</b>                                    |                                   |                                   |
| Net Position, Beginning of Year as Restated (Note 2)   | 117,450,976                       | 205,364,655                       |
| Cumulative Effect of Change in Accounting Principle    |                                   | <u>(90,936,207)</u>               |
| Net Position , Beginning of Year, as Restated (Note 2) | <u>117,450,976</u>                | <u>114,428,448</u>                |
| <b>Net Position - End of Year</b>                      | <u>\$ 127,916,466</u>             | <u>\$ 117,450,976</u>             |

The accompanying notes are an integral part of the financial statements.

**CENTRAL TEXAS COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2019**

**Exhibit 2-A-1**

|  | <b>WITHOUT DONOR<br/>RESTRICTIONS</b> | <b>WITH DONOR<br/>RESTRICTIONS</b> | <b>TOTAL</b>     |
|--|---------------------------------------|------------------------------------|------------------|
| <b>Revenue, Gains &amp; Other Support</b>      |                                       |                                    |                  |
| Contributions                                  | \$ 82,596                             | \$ 830,874                         | \$ 913,470       |
| Donated Administrative Support                 | 158,202                               |                                    | 158,202          |
| Interest Income                                |                                       | 111,501                            | 111,501          |
| Unrealized/Realized Gains(Loss) on Investment  |                                       | 201,530                            | 201,530          |
| Other Income                                   |                                       | 184,105                            | 184,105          |
| Net Assets Released                            | <u>407,610</u>                        | <u>(407,610)</u>                   |                  |
| <b>Total Revenues, Gains and Other Support</b> | <u>648,408</u>                        | <u>920,400</u>                     | <u>1,568,808</u> |
| <b>Expenses and Losses</b>                     |                                       |                                    |                  |
| Program  |                                       |                                    |                  |
| Scholarships Awarded                           | 394,705                               |                                    | 394,705          |
| Support  |                                       |                                    |                  |
| College Support                                | 3,242                                 |                                    | 3,242            |
| Fund Raising                                   | 55,803                                |                                    | 55,803           |
| Donated Administrative Support                 | <u>158,202</u>                        |                                    | <u>158,202</u>   |
| <b>Total Expenses and Losses</b>               | <u>611,952</u>                        |                                    | <u>611,952</u>   |
| Change in Net Assets                           | 36,456                                | 920,400                            | 956,856          |
| Net Assets at Beginning of Period              | <u>64,415</u>                         | <u>8,026,411</u>                   | <u>8,090,826</u> |
| <b>Net Assets at End of Period</b>             | <u>\$ 100,871</u>                     | <u>\$ 8,946,811</u>                | <u>9,047,682</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL TEXAS COLLEGE FOUNDATION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2018**

**Exhibit 2-A-2**

|  | <b>WITHOUT DONOR<br/>RESTRICTIONS</b> | <b>WITH DONOR<br/>RESTRICTIONS</b> | <b>TOTAL</b>     |
|--|---------------------------------------|------------------------------------|------------------|
| <b>Revenue, Gains &amp; Other Support</b>      |                                       |                                    |                  |
| Contributions                                  | \$ 98,817                             | \$ 170,269                         | \$ 269,086       |
| Donated Administrative Support                 | 136,281                               |                                    | 136,281          |
| Interest Income                                |                                       | 90,684                             | 90,684           |
| Unrealized/Realized Gains(Loss) on Investment  |                                       | 791,343                            | 791,343          |
| Other Income                                   |                                       | 112,284                            | 112,284          |
| Net Assets Released                            | 609,220                               | (609,220)                          |                  |
| <b>Total Revenues, Gains and Other Support</b> | <u>844,318</u>                        | <u>555,360</u>                     | <u>1,399,678</u> |
| <b>Expenses and Losses</b>                     |                                       |                                    |                  |
| Program  |                                       |                                    |                  |
| Scholarships Awarded                           | 379,345                               |                                    | 379,345          |
| Support  |                                       |                                    |                  |
| College Support                                | 282,574                               |                                    | 282,574          |
| Fund Raising                                   | 56,374                                |                                    | 56,374           |
| Donated Administrative Support                 | 136,281                               |                                    | 136,281          |
| <b>Total Expenses and Losses</b>               | <u>854,574</u>                        |                                    | <u>854,574</u>   |
| Change in Net Assets                           | (10,256)                              | 555,360                            | 545,104          |
| Net Assets at Beginning of Period              | <u>74,671</u>                         | <u>7,471,051</u>                   | <u>7,545,722</u> |
| <b>Net Assets at End of Period</b>             | <u>\$ 64,415</u>                      | <u>\$ 8,026,411</u>                | <u>8,090,826</u> |

The accompanying notes are an integral part of these financial statements.

**CENTRAL TEXAS COLLEGE DISTRICT  
STATEMENTS OF CASH FLOWS  
Years Ended August 31, 2019 and August 31, 2018**

**Exhibit 3**

|  | <b>Fiscal Year<br/>2019</b> | <b>Fiscal Year<br/>2018</b> |
|--|-----------------------------|-----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                             |                             |
| Receipts from students and other customers   | \$ 38,136,711               | \$ 35,987,765               |
| Receipts from grants and contracts   | 10,936,270                  | 20,032,131                  |
| Payments to suppliers for goods and services   | (21,759,399)                | (17,885,723)                |
| Payments to or on behalf of employees  | (61,823,769)                | (62,081,971)                |
| Payments for scholarships and fellowships  | (23,172,885)                | (21,870,412)                |
| Payments for loans issued to students  | (139,841)                   | (120,105)                   |
| Receipts from collection of loans to students  | 126,521                     | 127,937                     |
| Other receipts (payments)  | 5,625,145                   | 5,946,623                   |
| Net cash provided by operating activities  | <u>(52,071,247)</u>         | <u>(39,863,755)</u>         |
| <b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>  |                             |                             |
| Receipts from state appropriations   | 19,834,704                  | 19,731,633                  |
| Receipts from Ad valorem taxes   | 13,551,180                  | 13,519,003                  |
| Receipts from non operating federal revenue  | 18,251,192                  | 19,393,798                  |
| Payments for collection of taxes   | (199,119)                   | (187,527)                   |
| Receipts from student organizations and other agency transactions                                | 11,933,075                  | 6,133,781                   |
| Payments to student organizations and other agency transactions                                  | <u>(11,992,030)</u>         | <u>(6,133,078)</u>          |
| Net cash provided (used ) by non-capital financing activities                                    | 51,379,002                  | 52,457,610                  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                  |                             |                             |
| Proceeds from the sale of capital assets   | 7,360                       | 29,257                      |
| Purchases of capital assets  | <u>(13,272,590)</u>         | <u>(18,622,234)</u>         |
| Net cash provided (used) by capital and related financing activities                             | (13,265,230)                | (18,592,977)                |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                             |                             |
| Proceeds from sales and maturities of investments  | 23,593,003                  | 25,104,166                  |
| Receipts from interest on investments  | 2,448,346                   | 1,456,746                   |
| Purchases of investments   | <u>(14,409,742)</u>         | <u>(14,411,041)</u>         |
| Net cash provided (used) by investing activities   | 11,631,607                  | 12,149,871                  |
| Increase (decrease) in cash and cash equivalents   | <u>(2,325,868)</u>          | <u>6,150,749</u>            |
| Cash and cash equivalents-September 1  | 86,541,273                  | 80,390,524                  |
| Cash and cash equivalents-August 31  | <u>\$ 84,215,405</u>        | <u>\$ 86,541,273</u>        |
| <b>RECONCILIATION OF NET OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b> |                             |                             |
| Operating Loss   | \$ (47,213,822)             | \$ (53,091,624)             |
| Adjustments to reconcile operating income to net cash used by operating activities:              |                             |                             |
| Depreciation expense   | 3,700,191                   | 3,820,064                   |
| Payments made directly by state for benefits   | 746,830                     | 755,191                     |
| Changes in assets and liabilities  |                             |                             |
| Receivables (net)  | 1,158,817                   | (470,633)                   |
| Inventories  | (61,393)                    | 415,779                     |
| Prepaid expenses   | 686,224                     | (546,200)                   |
| Accounts payable   | (5,980,352)                 | 4,954,855                   |
| Accrued liabilities  | (55,938)                    | (442,238)                   |
| Compensated absences   | 88,008                      | (32,501)                    |
| Unearned revenues  | (2,242,581)                 | 1,983,159                   |
| Other Assets   | (6,796)                     | (313)                       |
| Deferred Inflows and Outflows  | <u>(2,890,435)</u>          | <u>2,790,706</u>            |
| Net cash provided (used) by operating activities   | <u>\$ (52,071,247)</u>      | <u>\$ (39,863,755)</u>      |

The accompanying notes are an integral part of the financial statements.

**CENTRAL TEXAS COLLEGE DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**August 31, 2019**

**1. Reporting Entity**

The Central Texas College District (CTCD) was established in July, 1965, in accordance with the laws of the State of Texas, to serve the educational needs of the public and the surrounding communities. CTCD is considered to be a special purpose, primary government according to the definition in Governmental Accounting Standards Board (GASB) Statement 14. While CTCD receives funding from local, state and federal sources, and must comply with the spending, reporting and record keeping requirements of these entities, it is not a component unit of any other governmental entity.

**2. Summary of Significant Accounting Policies**

**Reporting Guidelines**

The significant accounting policies followed by CTCD in preparing these financial statements are in accordance with the *Texas Higher Education Coordinating Board's Annual Financial Reporting Requirements for Texas Public Community and Junior Colleges*. CTCD applies all applicable GASB pronouncements. CTCD is reported as a special purpose government engaged in business-type activities.

**Tuition Discounting**

**Texas Public Education Grants**

Certain tuition amounts are required to be set aside for use as scholarships by qualifying students. This set aside, called the Texas Public Education Grant (TPEG), is shown with tuition and fee revenue amounts as a separate set aside amount (Texas Education Code §56.033). When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**Title IV, Higher Education Act Program Funds**

Certain Title IV HEA Program Funds are received by CTCD to pass through to the student. These funds are initially received by CTCD and recorded as revenue. When the award is used by the student for tuition and fees, the amount is recorded as tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

**Other Tuition Discounts**

CTCD awards tuition and fee scholarships from institutional funds to students who qualify. When these amounts are used for tuition and fees, the amount is recorded as a tuition discount. If the amount is dispersed directly to the student, the amount is recorded as a scholarship expense.

### **Basis of Accounting**

The financial statements of CTCD have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

### **Budgetary Data**

Each community college district in Texas is required by law to prepare an annual operating budget of anticipated revenues and expenditures for the fiscal year beginning September 1. The District's Board of Trustees adopts the budget, which is prepared on the accrual basis of accounting. A copy of the approved budget and subsequent amendments must be filed with the Texas Higher Education Coordinating Board, Legislative Budget Board, Legislative Reference Library and Governor's Office of Budget and Planning by December 1.

### **Cash and Cash Equivalents**

CTCD's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition.

### **Deferred Outflows**

In addition to assets, CTCD is aware that the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Governments are permitted only to report deferred outflows in circumstances specifically authorized by the GASB. A typical deferred outflow for community colleges is a deferred charge or refunding debt.

### **Investments**

In accordance with GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Short-term investments have an original maturity greater than three months but less than one year at time of purchase. Long-term investments have an original maturity of greater than one year at the time of purchase.

## **Inventories**

Inventories consist of consumable office supplies, physical plant supplies and bookstore stock. Inventories are valued by the first in, first out method and are charged to expense as consumed.

## **Capital Assets**

Capital assets are recorded at cost at the date of acquisition, or fair value at the date of donation. For equipment, CTCD's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life in excess of one year. Renovations of \$100,000 to buildings, infrastructure and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. CTCD charges costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives to operating expense in the year in which the expense is incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following lives are used:

|  |          |
|--|----------|
| Buildings  | 50 years |
| Facilities and Other Improvements                  | 20 years |
| Library Books                                      | 15 years |
| Furniture, Machinery, Vehicles and Other Equipment | 10 years |
| Telecommunications and Peripheral Equipment        | 5 years  |

## **Other Post-Employment Benefits (OPEB)**

The fiduciary net position of the Employees Retirement System of Texas (ERS) State Retiree Health Plan (SRHP) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits; OPEB expense; and information about assets, liabilities and additions to/deductions from SRHP's fiduciary net position. Benefit payments are recognized when due and are payable in accordance with the benefit terms.

## **Pensions**

CTCD participates in the Teacher Retirement System of Texas (TRS) pension plan, a multiple-employer cost sharing defined benefit pension plan with a special funding situation. The fiduciary net position of TRS has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## **Unearned Revenue**

Tuition and fees of \$11,068,647 and \$13,311,227 have been reported as unearned revenues at August 31, 2019 and August 31, 2018 respectively.

## **Deferred Inflows**

In addition to liabilities, CTCD is aware that the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so is not recognized as an inflow of resources (revenue) until that time. Governments are permitted only to report deferred inflows in circumstances specifically authorized by the GASB.

## **Estimates**

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## **Operating and Non-Operating Revenue and Expense Policy**

CTCD distinguishes operating revenues and expenses from non-operating items. CTCD reports as a BTA and as a single, proprietary fund. Operating revenues and expenses generally result from providing services in connection with CTCD's principal ongoing operations. The principal operating revenues are tuition and related fees. The major non-operating revenues are state appropriations and property tax collections. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The operation of food service is not performed by CTCD.

## **GASB 75 Restatement**

### **Restatement to Beginning Net Position**

Effective for fiscal year 2018, CTCD implemented GASB Statement No. 75, Accounting for OPEB. Accordingly, a restatement to beginning net position was required for the recording of the beginning net OPEB liability and for the recording of deferred outflows of resources related to OPEB for contributions made to the ERS OPEB plan subsequent to the measurement date of the beginning net OPEB liability.

Because audited balances could not be obtained for all of the deferred outflows of resources and deferred inflows of resources related to OPEB, CTCDD determined it was impractical to restate its fiscal year 2017 financial statements. As, such CTCDD recorded a restatement to beginning net position in the fiscal year 2018 financial statements as a cumulative effect of a change in accounting principle.

Beginning net position as of September 1, 2017 has been restated as follows for the implementation of GASB Statement No. 75:

|  |                      |
|--|----------------------|
| Beginning Net Position as restated                                       | \$205,364,655        |
| Cumulative effect of change in accounting principle (GASB 75)            |                      |
| Beginning Net OPEB liability (measurement date as of<br>August 31, 2017) | (93,078,141)         |
| Deferred outflow for College contributions to ERS plan<br>During FY 17   | <u>2,141,934</u>     |
| Beginning Net Position as restated                                       | <u>\$114,428,448</u> |

### **3. Authorized Investments**

CTCD is authorized to invest in obligations and instruments as defined in the Public Funds Investment Act (Sec. 2256.001 Texas Government Code). Such investments include (1) obligations of the United States or its agencies, (2) direct obligations of the State of Texas or its agencies, (3) obligations of political subdivisions rated not less than A by a national investment rating firm, (4) certificates of deposit, and (5) other instruments and obligations authorized by statute. The Board of Trustees of CTCDD has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas government Code). The investments of CTCDD are in compliance with the Trustee's investment policies. In addition, there were no instances of non-compliance with regards to the Public Funds Investment Act.

### **4. Deposits and Investments**

Cash and Deposits included and reported on Exhibit 1, Statement of Net Position; consist of the items reported below:

## Cash and Deposits

|                           | <u>Fiscal Year 2019</u> | <u>Fiscal Year 2018</u> |
|---------------------------|-------------------------|-------------------------|
| Bank Deposits             |                         |                         |
| Demand Deposits           | \$ <u>10,617,361</u>    | \$ <u>11,178,591</u>    |
|                           | 10,617,361              | 11,178,591              |
| Cash and Cash Equivalents |                         |                         |
| Petty Cash on Hand        | 14,404                  | 15,181                  |
| Certificates of Deposit   | 59,387,000              | 61,500,000              |
| Tex Pool                  | 4,355,937               | 6,247,129               |
| Tex Star                  | 742,544                 | 725,672                 |
| Texas Term                | 2,767,843               | 694,619                 |
| Lone Star                 | <u>6,330,316</u>        | <u>6,180,081</u>        |
|                           | <u>73,598,044</u>       | <u>75,362,682</u>       |
| Total Cash and Deposits   | \$ <u>84,215,405</u>    | \$ <u>86,541,273</u>    |

## Reconciliation of Deposits and Investments to Exhibit 1

|                                       | <u>Market Value</u><br><u>August 31, 2019</u> | <u>Market Value</u><br><u>August 31, 2018</u> |
|---------------------------------------|---|---|
| U.S. Government Securities            | \$ 24,517,000                                 | \$ 35,212,600                                 |
| Texas Term                            | 2,500,000                                     |   |
| Commercial paper                      | <u>3,487,639</u>                              | <u>4,475,300</u>                              |
| Totals                                | <u>30,504,639</u>                             | <u>39,687,900</u>                             |
| <br>                                  |   |   |
| Total Cash and Deposits               | 84,215,405                                    | 86,541,273                                    |
| Total Investments                     | <u>30,504,639</u>                             | <u>39,687,900</u>                             |
| Total Deposits and Investments        | \$ <u>114,720,044</u>                         | \$ <u>126,229,173</u>                         |
| <br>                                  |   |   |
| Cash and Cash Equivalents (Exhibit 1) | 83,621,909                                    | 86,031,347                                    |
| Restricted Cash (Exhibit 1)           | 593,496                                       | 509,926                                       |
| Short-Term Investments (Exhibit 1)    | 2,500,000                                     |   |
| Investments (Exhibit 1)               | <u>28,004,639</u>                             | <u>39,687,900</u>                             |
| Total Deposits and Investments        | <u>\$114,720,044</u>                          | <u>\$ 126,229,173</u>                         |

## Reconciliation of Deposits and Investments to Exhibit 1-A

|   | Market<br>Value<br><u>August 31, 2019</u> | Market<br>Value<br><u>August 31, 2018</u> |
|---|---|---|
| Common Fund - Bond Fund                 | \$ 1,872,699                              | \$ 1,553,708                              |
| Common Fund - Equity Fund               | 6,942,726                                 | 6,379,142                                 |
| Common Fund - Fixed Income              | <u>376,696</u>                            | <u>312,432</u>                            |
| Totals                                  | <u>9,192,121</u>                          | <u>8,245,282</u>                          |
| <br>                                    |   |   |
| Total Cash and Deposits                 | 171,885                                   | 391,968                                   |
| Total Investments                       | <u>9,192,121</u>                          | <u>8,245,282</u>                          |
| Total Deposits and Investments          | <u>9,364,006</u>                          | <u>8,637,250</u>                          |
| <br>                                    |   |   |
| Cash and Cash Equivalents (Exhibit 1-A) | 171,885                                   | 391,968                                   |
| Investments (Exhibit 1- A)              | <u>9,192,121</u>                          | <u>8,245,282</u>                          |
| Total Deposits and Investments          | \$ <u>9,364,006</u>                       | \$ <u>8,637,250</u>                       |

As of August 31, 2019 CTCD had the following investments and maturities:

|                            | Fair Value           | Investment Maturities (in Years) |                     |                     |
|----------------------------|----------------------|----------------------------------|---------------------|---------------------|
|                            |                      | Less than 1                      | 1 to 2              | 2 to 3              |
| U.S. Government Securities | \$ 24,517,000        | \$                               | \$20,508,232        | \$ 4,008,768        |
| Texas Term                 | 2,500,000            | 2,500,000                        |                     |                     |
| Commercial Paper           | <u>3,487,639</u>     | <u>3,487,639</u>                 |                     |                     |
| Total Fair Value           | <u>\$ 30,504,639</u> | <u>\$ 5,987,639</u>              | <u>\$20,508,232</u> | <u>\$ 4,008,768</u> |

As of August 31, 2018 CTCD had the following investments and maturities:

|                            | Fair Value           | Investment Maturities (in Years) |                     |                   |
|----------------------------|----------------------|----------------------------------|---------------------|-------------------|
|                            |                      | Less than 1                      | 1 to 2              | 2 to 3            |
| U.S. Government Securities | \$ 35,212,600        | \$                               | \$34,238,690        | \$ 973,910        |
| Commercial Paper           | <u>4,475,300</u>     | <u>4,475,300</u>                 |                     |                   |
| Total Fair Value           | <u>\$ 39,687,900</u> | <u>\$ 4,475,300</u>              | <u>\$34,238,690</u> | <u>\$ 973,910</u> |

**Interest Rate Risk** In accordance with state law and CTCD policy, CTCD does not purchase any investments with maturities greater than 10 years.

**Credit Risk** In accordance with state law and CTCDD's investment policy investments in mutual funds and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A.

**Concentration of Credit Risk** CTCDD does not place a limit on the amount that may be invested in any one issuer. More than 5% of CTCDD's investments are in FHLB (31%), FHLMC (23%), FFCB (20%), J.P Morgan Commercial Paper (11%), Texas Term (8%) and FNMA (7%).

## 5. Fair Value of Financial Instruments

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level that is significant to their fair value measurement of the instrument.

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the government can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the assets or liability.

The fair value hierarchy of investments at August 31, 2019, follows:

|                            | <u>Level 1</u>      | <u>Level 2</u>     | <u>Level 3</u> | <u>Total</u> | <u>Total</u>        |
|----------------------------|---------------------|--------------------|----------------|--------------|---------------------|
| U.S. Government securities | \$24,517,000        |                    |                |              | \$24,517,000        |
| Texas Term                 |                     | \$2,500,000        |                |              | 2,500,000           |
| Commercial paper           | 3,487,639           |                    |                |              | 3,487,639           |
| <b>Total</b>               | <u>\$28,004,639</u> | <u>\$2,500,000</u> |                |              | <u>\$30,504,639</u> |

The fair value hierarchy of investments at August 31, 2018, follows:

|                            | <u>Level 1</u>      | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> | <u>Total</u>        |
|----------------------------|---------------------|----------------|----------------|--------------|---------------------|
| U.S. Government securities | \$35,212,600        |                |                |              | \$35,212,600        |
| Texas Term                 |                     |                |                |              |                     |
| Commercial paper           | 4,475,300           |                |                |              | 4,475,300           |
| <b>Total</b>               | <u>\$39,687,900</u> |                |                |              | <u>\$39,687,900</u> |

## 6. Derivatives

None

## 7. Capital Assets

Capital assets activity for the year ended August 31, 2019 was as follows:

|   | <u>Balance as of</u><br><u>September 1, 2018</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Balance as of</u><br><u>August 31, 2019</u> |
|---|--|--------------------|------------------|--|
| <u>Not Depreciated:</u>                                 |  |                    |                  |  |
| Land  | \$ 896,168                                       |                    |                  | 896,168  |
| Construction in Progress                                | <u>24,207,473</u>                                | <u>12,601,794</u>  | <u>119,252</u>   | <u>36,690,015</u>                              |
| Subtotal  | <u>25,103,641</u>                                | <u>12,601,794</u>  | <u>119,252</u>   | <u>37,586,183</u>                              |
| <u>Buildings and Other</u>                              |  |                    |                  |  |
| <u>Capital Assets:</u>                                  |  |                    |                  |  |
| Buildings   | 143,982,001                                      | 314,584            | 4,000            | 144,292,585                                    |
| Land Improvements                                       | <u>10,631,777</u>                                | _____              | _____            | <u>10,631,777</u>                              |
| Total Buildings and Other                               |  |                    |                  |  |
| Real Estate Improvements                                | 154,613,778                                      | 314,584            | 4,000            | 154,924,362                                    |
| Library Books   | 2,007,550  | 14,907             | 11,408           | 2,011,049                                      |
| Furniture, Machinery,<br>Vehicles, &<br>Other Equipment | 12,113,484                                       | 153,407            | 204,589          | 12,062,302                                     |
| Telecommunications &<br>Peripheral Equipment            | <u>10,201,514</u>                                | <u>311,150</u>     | <u>127,985</u>   | <u>10,384,679</u>                              |
| Total Buildings and Other<br>Capital Assets             | <u>178,936,326</u>                               | <u>794,048</u>     | <u>347,982</u>   | <u>179,382,392</u>                             |
| <u>Accumulated Depreciation:</u>                        |  |                    |                  |  |
| Buildings   | (45,834,771)                                     | (2,348,784)        |                  | (48,183,555)                                   |
| Land Improvements                                       | <u>( 6,534,272)</u>                              | <u>( 342,020)</u>  | _____            | <u>( 6,876,292)</u>                            |
| Total Buildings and Other                               |  |                    |                  |  |
| Real Estate Improvements                                | (52,369,043)                                     | (2,690,804)        |                  | (55,059,847)                                   |
| Library Books   | ( 1,848,504)                                     | ( 25,849)          | 11,408           | ( 1,862,945)                                   |
| Furniture, Machinery,<br>Vehicles & Other<br>Equipment  | ( 8,525,772)                                     | ( 593,606)         | 199,034          | (8,920,344)                                    |
| Telecommunications &<br>Peripheral Equipment            | <u>( 9,151,679)</u>                              | <u>( 389,932)</u>  | <u>127,985</u>   | <u>( 9,413,626)</u>                            |
| Total Accumulated Depr                                  | <u>(71,894,998)</u>                              | <u>(3,700,191)</u> | <u>338,427</u>   | <u>(75,256,762)</u>                            |
| Net Capital Assets                                      | \$ <u>132,144,969</u>                            | <u>9,695,651</u>   | <u>(128,807)</u> | <u>141,711,813</u>                             |

Capital assets activity for the year ended August 31, 2018 was as follows:

|   | Balance as of<br>September 1, 2017 | Increases          | Decreases            | Balance as of<br>August 31, 2018 |
|---|------------------------------------|--------------------|----------------------|----------------------------------|
| <u>Not Depreciated:</u>                                 |                                    |                    |                      |                                  |
| Land  | \$ 896,168                         |                    |                      | 896,168                          |
| Construction in Progress                                | <u>11,972,888</u>                  | <u>17,215,169</u>  | <u>4,980,584</u>     | <u>24,207,473</u>                |
| Subtotal  | <u>12,869,056</u>                  | <u>17,215,169</u>  | <u>4,980,584</u>     | <u>25,103,641</u>                |
| <u>Buildings and Other</u>                              |                                    |                    |                      |                                  |
| <u>Capital Assets:</u>                                  |                                    |                    |                      |                                  |
| Buildings   | 138,694,205                        | 5,287,796          |                      | 143,982,001                      |
| Land Improvements                                       | <u>10,364,908</u>                  | <u>266,869</u>     |                      | <u>10,631,777</u>                |
| Total Buildings and Other                               |                                    |                    |                      |                                  |
| Real Estate Improvements                                | 149,059,113                        | 5,554,665          |                      | 154,613,778                      |
| Library Books   | 1,971,940                          | 37,381             | 1,771                | 2,007,550                        |
| Furniture, Machinery,<br>Vehicles, &<br>Other Equipment | 12,200,033                         | 193,724            | 280,273              | 12,113,484                       |
| Telecommunications &<br>Peripheral Equipment            | <u>9,980,847</u>                   | <u>601,880</u>     | <u>381,213</u>       | <u>10,201,514</u>                |
| Total Buildings and Other<br>Capital Assets             | <u>173,211,933</u>                 | <u>6,387,650</u>   | <u>663,257</u>       | <u>178,936,326</u>               |
| <u>Accumulated Depreciation:</u>                        |                                    |                    |                      |                                  |
| Buildings   | (43,536,695)                       | (2,298,076)        |                      | (45,834,771)                     |
| Land Improvements                                       | <u>( 6,184,831)</u>                | <u>( 349,441)</u>  |                      | <u>( 6,534,272)</u>              |
| Total Buildings and Other                               |                                    |                    |                      |                                  |
| Real Estate Improvements                                | (49,721,526)                       | (2,647,517)        |                      | (52,369,043)                     |
| Library Books   | ( 1,819,767)                       | ( 30,508)          | 1,771                | ( 1,848,504)                     |
| Furniture, Machinery,<br>Vehicles & Other<br>Equipment  | ( 8,076,052)                       | ( 717,339)         | 267,619              | (8,525,772)                      |
| Telecommunications &<br>Peripheral Equipment            | <u>( 9,057,264)</u>                | <u>( 425,258)</u>  | <u>330,843</u>       | <u>( 9,151,679)</u>              |
| Total Accumulated Depr                                  | <u>(68,674,609)</u>                | <u>(3,820,622)</u> | <u>600,233</u>       | <u>(71,894,998)</u>              |
| Net Capital Assets                                      | \$ <u>117,406,380</u>              | <u>19,782,197</u>  | <u>( 5,043,608 )</u> | <u>132,144,969</u>               |

## 8. Non- Current Liabilities

Non-Current liability activity for the year ended August 31, 2019 was as follows:

|                               | Balance<br>September 1, 2018 | Additions         | Reductions        | Balance<br>August 31, 2019 | Current          |
|-------------------------------|------------------------------|-------------------|-------------------|----------------------------|------------------|
| Accrued compensable absences  | 1,556,847                    | 141,956           | 53,948            | 1,644,855                  | 328,971          |
| Net Pension Liability         | 16,859,073                   | 9,247,739         | 1,505,658         | 24,601,154                 | N/A              |
| Net OPEB Liability            | <u>77,903,520</u>            | <u>6,196,653</u>  | <u>30,123,907</u> | <u>53,976,266</u>          | <u>793,981</u>   |
| Total Non-Current liabilities | <u>\$96,319,440</u>          | <u>15,586,348</u> | <u>31,683,513</u> | <u>80,222,275</u>          | <u>1,122,952</u> |

Non-Current liability activity for the year ended August 31, 2018 was as follows:

|                               | Balance                  |                    |                   | Balance                |                |
|-------------------------------|--------------------------|--------------------|-------------------|------------------------|----------------|
|                               | <u>September 1, 2017</u> | <u>Additions</u>   | <u>Reductions</u> | <u>August 31, 2018</u> | <u>Current</u> |
| Accrued compensable absences  | 1,589,348                | 49,297             | 81,798            | 1,556,847              | 311,369        |
| Net Pension Liability         | 21,981,885               | 3,333              | 5,126,145         | 16,859,073             | N/A            |
| Net OPEB Liability            |                          | <u>101,545,055</u> | <u>23,641,535</u> | <u>77,903,520</u>      | <u>395,290</u> |
| Total Non-Current liabilities | <u>\$23,571,233</u>      | <u>101,597,685</u> | <u>28,849,478</u> | <u>96,319,440</u>      | <u>706,659</u> |

**9. Debt and Lease Obligations**

None.

**10. Bonds Payable**

None.

**11. Advance Refunding Bonds**

None.

**12. Defeased Bonds Outstanding**

None.

**13. Short - Term Debt**

None.

## **14. Employees' Retirement Plans**

The State of Texas has joint contributory retirement plans for almost all of its employees.

### **Defined Benefit Plans**

#### **Plan Description**

The CTCD participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government code, Title 8, Section 822.002 are covered by the system.

#### **Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued comprehensive Annual financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov.pdf> by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

#### **Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

## Contributions

Contributions requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA), established employer contribution rates for fiscal years 2018 and 2019.

### Contribution Rates

|   | <u>2019</u>        | <u>2018</u> |
|---|--------------------|-------------|
| <b>Member</b>   | <b>7.7%</b>        | <b>7.7%</b> |
| <b>Non-Employer Contributing Entity (State)</b>       | <b>6.8%</b>        | <b>6.8%</b> |
| <b>Employers</b>                                      | <b>6.8%</b>        | <b>6.8%</b> |
| <b>FY 2018 Member Contributions</b>                   | <b>\$2,550,266</b> |             |
| <b>FY 2018 State of Texas On-behalf Contributions</b> | <b>\$ 723,756</b>  |             |
| <b>FY 2018 District Contributions</b>                 | <b>\$1,505,658</b> |             |

CTCD's contributions to the TRS pension plan in 2019 were \$721,037. Estimated State of Texas on-behalf contributions for 2019 were \$723,756.

- As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Public junior college districts are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under "Section 21.402 of the Texas Education Code".
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.
- In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

### Actuarial Assumptions

The total pension liability in the August 31, 2018, actuarial valuation was determined using the following actuarial assumptions:

|  |   |
|--|---|
| • Valuation Date                               | August 31, 2017 rolled forward to August 31, 2018 |
| • Actuarial Cost Method                        | Individual Entry Age Normal                       |
| • Asset Valuation Method                       | Market Value                                      |
| • Actuarial Assumptions:                       |   |
| Single Discount Rate                           | 6.907%  |
| Long-term expected Investment Rate of Return*  | 7.25%   |
| Municipal Bond Rate*                           | 3.69%   |
| Last year ending August 31 in the 2016 to 2115 |   |
| Projection period (100 years)                  | 2116  |
| Inflation                                      | 2.3%  |
| Salary increases including inflation           | 3.05% to 9.05%                                    |
| Benefit changes during the year                | None  |
| Post-employment benefit changes                | None  |

\* Source for the rate is the *Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity Index's "20-Year Municipal GOAA Index."*

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected the measurement of the total pension liability during the measurement period.

## **Discount Rate**

The discount rate used to measure the total pension liability was 6.907 percent. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments as applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term rate of return on pension plan investments is 7.25 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

| <b>Asset Class</b>            | <b>Target Allocation<br/>(Note 1)</b> | <b>Long-Term<br/>Expected<br/>Arithmetic Real<br/>Rate of Return</b> | <b>Expected<br/>Contribution to<br/>Long-Term<br/>Portfolio Return<br/>(Note 2)</b> |
|-------------------------------|---------------------------------------|--|---|
| <b>Global Equity</b>          |                                       |  |   |
| U.S.                          | 18.0%                                 | 5.70%  | 1.04%   |
| Non-U.S. Developed            | 13.0%                                 | 6.9%   | 0.90%   |
| Emerging Markets              | 9.0%                                  | 8.95%  | 0.80%   |
| Directional Hedge Funds       | 4.0%                                  | 3.53%  | 0.14%   |
| Private Equity                | 13.0%                                 | 10.18%   | 1.32%   |
| <b>Stable Value</b>           |                                       |  |   |
| U.S. Treasuries               | 11.0%                                 | 1.11%  | 0.12%   |
| Absolute Return               | 0.0%                                  | 0.00%  | 0.00%   |
| Stable Value Hedge Funds      | 4.0%                                  | 3.09%  | 0.12%   |
| Cash                          | 1.0%                                  | -0.30%   | 0.00%   |
| <b>Real Return</b>            |                                       |  |   |
| Global Inflation Linked Bonds | 3.0%                                  | 0.70%  | 0.02%   |
| Real Assets                   | 14.0%                                 | 5.21%  | .73%  |
| Energy and Natural Resources  | 5.0%                                  | 7.48   | 0.37%   |
| Commodities                   | 0.0%                                  | 0.00%  | 0.00%   |
| <b>Risk parity</b>            |                                       |  |   |
| Risk Parity                   | 5.0%                                  | 3.70%  | 0.18%   |
| Inflation Expectation         |                                       |  | 2.30%   |
| Volatility Drag (Note 2)      |                                       |  | -.79%   |
| <b>Total</b>                  | <b>100.0%</b>                         |  | <b>7.25%</b>  |

Note1: Target allocations are based on the FY2016 policy model.

Note2: The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

### **Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

|   | <b>1% Decrease in<br/>Discount Rate<br/>(5.907%)</b> | <b>Discount Rate<br/>(6.907%)</b> | <b>1% Increase in<br/>Discount Rate<br/>(7.907%)</b> |
|---|--|-----------------------------------|--|
| <b>CTCD's proportionate<br/>Share of the net pension<br/>Liability:</b> | \$37,129,043   | \$24,601,154                      | \$14,459,088   |

**Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2019 the CTCD reported a liability of \$24,601,154 for its proportionate share of the TRS’s net pension liability. This liability reflects a reduction for State pension support provided to the CTCD. The amount recognized by the CTCD as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the CTCD were as follows:

|  |                   |
|--|-------------------|
| CTCD’s Proportionate share of the collective net pension liability | \$24,601,154      |
| State’s proportionate share that is associated with CTCD           | <u>11,832,909</u> |
| Total  | \$36,434,063      |

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer’s proportion of the net pension liability was based on the employer’s contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At the measurement date of August 31, 2018, the CTCD’s proportion of the collective net pension liability was 0.044694897%, which was a decrease of .008031543% from its proportion measured as of August 31, 2017.

For the year ended August 31, 2019 the CTCD recognized pension expense of \$1,171,143 and revenue of \$1,174,143 for support provided by the state.

At August 31, 2019 the CTCD reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience  | \$153,343                         | \$603,615                        |
| Changes in actuarial assumptions   | \$8,869,902                       | \$277,185                        |
| Difference between projected and actual investment earnings  | \$1,278,505                       | \$1,745,294                      |
| Changes in proportion and difference between the employer’s contributions and the proportionate share of contributions |                                   | \$5,827,183                      |
| Contributions paid to TRS subsequent to the measurement date   | \$721,037                         |                                  |
| Total  | \$11,022,787                      | \$8,453,277                      |

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended August 31: | Pension Expense Amount |
|-----------------------|------------------------|
| 2020                  | \$ 627,685             |
| 2021                  | \$(354,607)            |
| 2022                  | \$(538,727)            |
| 2023                  | \$ 582,511             |
| 2024                  | \$ 835,751             |
| Thereafter            | \$ 695,860             |

### **Optional Retirement Plan-Defined Contribution Plan**

*Plan Description.* Participation in the ORP is in lieu of participation in the TRS. The ORP provides for the purchase of annuity contracts and operates under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C.

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The percentage of participant salaries currently contributed by the state and each participant are 6.6% and 6.65%, respectively. CTCD contributes 1.9% for employees who were participating in the optional retirement program prior to September 1, 1995. Benefits fully vest after one year plus one day of employment. Because these are individual annuity contracts, the state has no additional or unfunded liability for this program. Senate Bill (SB) 1812 83<sup>rd</sup> Texas Legislature, Regular Session, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

The retirement expense to the State for the CTCD was \$1,936,958 and \$2,473,421 for the fiscal years ended August 31, 2019 and August 31, 2018 respectively. This amount represents the portion of expended appropriations made by the State Legislature on behalf of CTCD.

The total payroll for all CTCD employees was \$46,588,996 and \$46,588,418 for fiscal years 2019 and 2018, respectively. The total payroll of employees covered by the Teacher Retirement System was \$33,189,244 and \$33,120,338 and the total payroll of employees covered by the Optional Retirement System was \$5,730,531 and \$5,863,534 for fiscal years 2019 and 2018, respectively.

Additionally, substantially all employees of CTCD participate in a defined contribution pension program which is subject to the provisions of the Employment Retirement Income Security Act of 1974, as amended. Participating employees are required to contribute 6% of covered compensation, while CTCD contributes 7%. Total employer contributions made by CTCD during the years ending August 31, 2019 and 2018 were \$2,292,293 and \$2,292,135 respectively. In July 1991, CTCD implemented a supplemental retirement program to comply with the Omnibus Budget Reconciliation Act of 1990. All part-time employees are required to contribute 3.75% of covered compensation while CTCD contributes 3.75%. Total employer contributions made by CTCD during the year ending August 31, 2019 and 2018, were \$230,787 and \$194,587 respectively.

## **15. Deferred Compensation Program**

College employees may elect to defer a portion of their earnings for income tax and investment purposes pursuant to authority granted in Government code 609.001. As of August 31, 2019, the CTCD had no employees participating in the program and no payroll deductions had been invested in approved plans.

## **16. Compensable Absences**

Full-time employees earn annual leave from .83 to 2.08 days per month depending on the number of years employed with the CTCD. CTCD's policy is that an employee may carry their accrued leave forward from one fiscal year to another fiscal year with a maximum number of days up to 50 for those employees with 20 or more years of service. Employees with at least six months of service who terminate their employment are entitled to payment for all accumulated annual leave up to the maximum allowed. CTCD recognized the accrued liability for the unpaid annual leave in the amounts of \$1,644,855 (\$328,971 current portion) and \$1,556,847 (\$311,369 current portion) for fiscal year 2019 and fiscal year 2018. Sick leave, which can be accumulated up to 480 hours, is earned at the rate of 8 hours per month. It is paid to an employee who misses work from illness. Employees are not entitled to payment for accumulated sick leave upon termination. CTCD's policy is to recognize the cost of sick leave when paid. The liability is not shown in the financial statements since experience indicates the expenditure for sick leave is minimal.

## **17. Health Care and Life Insurance Benefits**

Certain health care and life insurance benefits for active employees are provided through an insurance company whose premiums are based on benefits paid during the previous year. The state recognizes the cost of providing these benefits by expending the annual insurance premiums. The state's contribution per full-time active was \$624.82 per month for the year ended August 31, 2019 (\$621.90 per month for Fiscal Year 2018) and totaled \$2,809,979 for Fiscal Year 2019 (\$2,831,728 for the year ended 2018). The cost to the state of providing those benefits for 234 retirees in the year ended August 31, 2019 was \$1,023,362 (retiree benefits for 238 retirees cost \$989,511 in Fiscal Year 2018). For 418 active employees, the cost of providing benefits was \$1,786,617 for the Year ended August 31, 2019 (active employee benefits for 405 employees cost \$1,842,217 for the Year ended August 31, 2018). S.B. 1812, effective September 1, 2013, limits the amount of the state's contribution to 50% of eligible employees in the reporting district.

## **18. Other Post-Employment Benefits (OPEB)**

(In accordance with GASB Statement 75)

**Plan Description.** The College participates in a cost-sharing, multiple-employer, other post-employment benefit (OPEB) plan with a special funding situation. The Texas Employees Group Benefits Program (GBP) is administered by the Employees Retirement System of Texas (ERS). The GBP provides certain postemployment health care, life and dental insurance benefits to retired employees of participating universities, community colleges, and State agencies in

accordance with Chapter 1551, Texas Insurance Code. Almost all employees may become eligible for those benefits if they reach normal retirement age while working for the State and retire with at least 10 years of service to eligible entities. Surviving spouses and dependents of these retirees are also covered. Benefit and contribution provisions of the GBP are authorized by State law and may be amended by the Texas Legislature.

**OPEB Plan Fiduciary Net Position.** Detailed information about the GBP’s fiduciary net position is available in the separately issued ERS Comprehensive Annual Financial Report (CAFR) that includes financial statements, notes to the financial statements and required supplementary information. That report may be obtained on the internet at <https://ers.texas.gov/About-ERS/Reports-and-Studies/Reports-on-Overall-ERS-Operations-and-Financial-Management>; or by writing to ERS at: 200 East 18<sup>th</sup> Street, Austin, TX 78701; or by calling (877) 275-4377. The fiduciary net position of the plan has been determined using the same basis used by the OPEB plan.

**Benefits Provided.** Retiree health benefits offered through the GBP are available to most state of Texas retirees and their eligible dependents. Participants need at least ten years of service credit with an agency or institution that participates in the GBP to be eligible for GBP retiree insurance. The GBP provides self-funded group health (medical and prescription drug) benefits for eligible retirees under HealthSelect. The GBP also provides a fully insured medical Plan and life insurance benefits to eligible retirees via a minimum premium funding arrangement. The authority under which obligations of the plan members and employers are established and/or may be amended is Chapter 1551, Texas Insurance Code.

**Contributions.** Section 1551.055 of Chapter 1551, Texas Insurance Code, provides that contribution requirements of the plan members and the participating employers are established and may be amended by the ERS Board of Trustees. The employer and member contribution rates are determined annually by the ERS Board of Trustees based on the recommendations of ERS staff and its consulting actuary. The contribution rates are determined based on (i) the benefit and administrative costs expected to be incurred, (ii) the funds appropriated and (iii) the funding policy established by the Texas Legislature in connection with benefits provided through the GBP. The Trustees revise benefits when necessary to match expected benefit and administrative costs when the revenue expected to be generated by the appropriate funds.

The following table summarizes the maximum monthly employer contribution toward eligible retiree’s health and basic life premium. Retirees pay any premium over and above the employer contribution. The employer does not contribute toward dental or optional life insurance. Surviving spouses and their dependents do not receive any employer contribution and the non-employer contributing entity (NECE), the State of Texas pays part of the premiums for the junior and community colleges.

Maximum Monthly Employer Contribution  
Retiree Health and Basic Life Premium  
Fiscal Year 2018

|                  |           |
|------------------|-----------|
| Retiree only     | \$ 621.90 |
| Retiree & Spouse | 1,334.54  |

|                    |          |
|--------------------|----------|
| Retiree & Children | 1,099.06 |
| Retiree & Family   | 1,811.70 |

Contributions of premiums to the GBP plan for the current and prior fiscal year by source is summarized in the following table.

Premium Contributions by Source  
Group Benefits Program Plan  
For the Years Ended August 31, 2017 and 2018

|  | FY 2018       | FY 2017       |
|--|---------------|---------------|
| Employers  | \$307,028,461 | \$890,735,173 |
| Members (Employees) (Note A)                         | 203,123,120   | 195,806,162   |
| Non-employer Contribution Entity<br>(State of Texas) | 16,585,270    | 44,433,743    |

Note A: In fiscal year 2017, payments from members were reported as contributions. Beginning from fiscal year 2018, payments from members are reported as deduction to benefit payments.

Source: ERS FY 2018 Comprehensive Annual Financial Report

**Actuarial Assumptions.** The total OPEB liability was determined by an actuarial valuation as of August 31, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Assumptions  
ERS Group Benefits Program Plan

|  |  |
|--|--|
| Valuation date   | August 31, 2018  |
| Actuarial cost method                                  | Entry age  |
| Amortization method                                    | Level percent of Payroll, Open   |
| Remaining amortization period                          | 30 years   |
| Asset valuation method                                 | N/A  |
| Discount rate  | 3.96%  |
| Projected annual salary increase (includes inflation)  | 2.5% to 9.5%   |
| Annual healthcare trend rate                           | 7.3% for FY 2020, 7.4% for FY 2021, 7.0% for FY 2022, decreasing 0.5% per year to an ultimate rate of 4.5% for FY 2027 and later years |
| Inflation assumption rate                              | 2.5%   |
| Ad hoc post-employment benefit changes                 | None   |
| Mortality assumptions:                                 |  |
| Service retirees, survivors and other inactive members | Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018.                   |

Disability retirees

Tables based on Teachers Retirement System of Texas experience with Ultimate MP Projection Scale from the year 2018 using a 3-year set forward and minimum mortality rates of four per 100 male members and two per 100 female members

Active members

Sex Distinct RP-2014 Employee Mortality multiplied by 90% with Ultimate MP Projection Scale from the year 2014

*Source: FY 2018 ERS CAFR except for mortality assumptions obtained from ERS FYI GASB 74 Actuarial Valuation*

Many of the actuarial assumptions used in this valuation were based on the results of actuarial experience studies performed by the ERS and TRS retirement plan actuaries for the period (ex. September 1, 2010 to August 31, 2014) for higher education members.

**Investment Policy.** The State Retiree Health Plan is a pay-as-you-go plan and does not accumulate funds in advance of retirement. The System's Board of Trustees adopted the amendment to the investment policy in August 2017 to require that all funds in the plan be invested in short-term fixed income securities and specify that the expected rate of return on these investments is 2.4%.

**Discount Rate.** Because the GBP does not accumulate funds in advance of retirement, the discount rate that was used to measure the total OPEB liability is the municipal bonds rate. The discount rate used to determine the total OPEB liability as of the beginning of the measurement year was 3.51%. The discount rate used to measure the total OPEB liability as of the end of the measurement year was 3.96%, which amounted to an increase of .45%. The source of the municipal bond rate was the Bond Buyer Index of general obligation bonds with 20 years to maturity and mixed credit quality. The bonds average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp's AA rating. Projected cash flows into the plan are equal to projected benefit payments out of the plan. Because the plan operates on a pay-as-you-go basis and is not intended to accumulate assets, there is no long-term expected rate of return on plan assets and therefore the years of projected benefit payments to which the long-term expected rate of return is applicable is zero years.

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact on CTCD's proportionate share of the collective net OPEB Liability if the discount rate used was 1 percent less than and 1 percent greater than the discount rate that as used (3.96%) in measuring the net OPEB Liability.

|   | 1% Decrease in Discount Rate (2.96%) | Discount Rate (3.96%) | 1% Increase in Discount Rate (4.96%) |
|---|--------------------------------------|-----------------------|--------------------------------------|
| CTCD's proportionate Share of the net OPEB Liability: | \$64,082,382                         | \$53,976,266          | \$46,327,066                         |

**Healthcare Trend Rate Sensitivity Analysis.** The initial healthcare trend rate is 8.5% and the ultimate rate is 4.5%. The following schedule shows the impact on the College's proportionate share of the collective net OPEB Liability if the healthcare cost trend rate used was 1 percent less than and 1 percent greater than the healthcare cost trend rate that was used (8.5%) in measuring the net OPEB Liability.

|   | 1% Decrease in Healthcare Cost Trend Rates (6.3% decreasing to 3.5%) | Current Healthcare Cost Trend Rates (7.3% decreasing to 4.5%) | 1% Increase in Healthcare Cost Trend Rates (8.3% decreasing to 5.5%) |
|---|--|---|--|
| CTCD's proportionate Share of the net OPEB Liability: | \$45,710,914   | \$53,976,266  | \$64,638,579   |

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.** At August 31, 2019, the College reported a liability of \$53,976,266 for its proportionate share of the ERS's net OPEB liability. This liability reflects a reduction for State support provided to the College for OPEB. The amount recognized by the College as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the College were as follows:

|   |                      |
|---|----------------------|
| Colleges Proportionate share of the collective net OPEB liability | \$ 53,976,266        |
| State's proportionate share that is associated with the College   | <u>27,543,653</u>    |
| Total   | <u>\$ 81,519,919</u> |

The net OPEB liability was measured as of August 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At the measurement date of August 31, 2018, the employer's proportion of the collective net OPEB liability was .18212002% which was less than the proportion measured as of August 31, 2017 of .22863702%, a decrease of .046517%.

For the year ended August 31, 2019 the College recognized OPEB expense of \$163,736 and revenue of \$163,736 for support provided by the State.

Changes Since the Prior Actuarial Valuation – Changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period were as follows:

- Demographic assumptions (including rates of retirement, disability, termination, mortality, and assumed salary increases) for higher education members have been updated to reflect assumptions recently adopted by the trustees from the Teachers Retirement System of Texas.
- Assumed expenses, assumed per capita health benefit costs, and assumed health benefit cost, retiree contribution, and expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

Changes of Benefit terms Since Prior Measurement Date – The following benefit revisions have been adopted since the prior valuation:

- An increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is not primary.

These minor benefit changes have been reflected in the fiscal year 2019 assumed per capita health benefit costs.

At August 31, 2019 the College reported its proportionate share of the ERS plan's collective

deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual economic experience  |                                | \$1,977,517                   |
| Changes in actuarial assumptions   |                                | \$18,914,758                  |
| Difference between projected and actual investment earnings  | \$25,561                       |                               |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions |                                | \$14,608,787                  |
| Contributions paid to ERS after the measurement date   | \$427,486                      |                               |
| Total  | \$453,047                      | \$35,501,062                  |

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

| Year ended August 31: | OPEB Expense Amount |
|-----------------------|---------------------|
| 2020                  | \$(8,489,345)       |
| 2021                  | \$(8,489,345)       |
| 2022                  | \$(8,489,345)       |
| 2023                  | \$(6,763,439)       |
| 2024                  | \$(3,244,027)       |
| Thereafter            | 0                   |

**19. Certain Asset Retirement Obligations (AROs)**

None.

**20. Pending Lawsuits and Claims**

On August 31, 2019, various claims involving CTCD were pending. While the ultimate liability with respect to litigation and other claims asserted against the CTCD cannot be reasonably estimated at this time, this liability, to the extent not provided by insurance or otherwise, is not likely to have a material effect on the CTCD.

CTCD's contracts with the U.S. Government are subject to examination by the Defense Contract Auditing Agency. Management believes that adjustments, if any, resulting from such examination will have no significant impact on the financial condition or results of operations.

## 21. Disaggregation of Receivables, Payables and Other Operating Revenues Balances

### Receivables

Receivables at August 31, 2019 and August 31, 2018 were as follows:

|                                 | <u>Fiscal Year 2019</u>     | <u>Fiscal Year 2018</u>     |
|---------------------------------|-----------------------------|-----------------------------|
| Student Receivables             | \$ 8,808,549                | \$ 10,768,383               |
| Taxes Receivable                | 339,843                     | 351,363                     |
| Federal Receivables             | 8,556,596                   | 5,601,796                   |
| Accounts Receivable             | 762,107                     | 1,026,990                   |
| Interest Receivable             | <u>1,407,616</u>            | <u>1,116,446</u>            |
| Subtotal                        | <u>19,874,711</u>           | <u>18,864,978</u>           |
| Allowance for Doubtful Accounts | <u>(5,659,113)</u>          | <u>(5,527,531)</u>          |
| <b>TOTAL RECEIVABLES</b>        | <b>\$ <u>14,215,598</u></b> | <b>\$ <u>13,337,447</u></b> |

### Payables

Payables at August 31, 2019 and August 31, 2018, were as follows:

|                             | <u>Fiscal Year 2019</u>     | <u>Fiscal Year 2018</u>     |
|-----------------------------|-----------------------------|-----------------------------|
| Vendors Payable             | \$ 4,493,875                | \$ 10,474,227               |
| Salaries & Benefits Payable | <u>15,955,036</u>           | <u>16,010,974</u>           |
| <b>TOTAL PAYABLES</b>       | <b>\$ <u>20,448,911</u></b> | <b>\$ <u>26,485,201</u></b> |

## 22. Funds Held in Trust by Others

There are no balances or transactions of funds held in trust by others on behalf of CTCD.

## 23. Contract and Grant Awards

Contract and grant awards are accounted for in accordance with the requirements of the American Institute of Certified Public Accountants (AICPA audit and accounting guide, *State and Local Governments*, 8.99). For federal contract and grant awards, funds expended, but not collected, are reported as Federal Receivables on Exhibit 1. Non-federal contract and grant awards for which funds are expended but not collected are reported as Accounts Receivable on Exhibit 1. Contract and grant awards that are not yet funded and for which the institution has not

yet performed services are not included in the financial statements. Contract and grant awards funds already committed, e.g., multi-year awards, or funds awarded during fiscal years 2019 and 2018 for which monies have not been received nor funds expended total \$16,956,302 and \$21,027,912. Of these amounts, \$16,298,450 and \$20,399,134 were from Federal Contract and Grant Awards, and \$657,852 and \$628,778 were from State Contract and Grant Awards.

**24. Self Insured Plans**

CTCD does not currently maintain self-insured arrangements. First dollar worker’s compensation insurance coverage is carried for all CTCD operations. Employee health and medical malpractice plans are funded. Coverage for unemployment compensation is maintained through the State of Texas as well as numerous other states in which CTCD contracts education. Accrued liabilities are generally based on actuarial valuation, and represent the present value of unpaid expected claims. Estimated future payments for incurred claims are charged to current operations.

**25. Ad Valorem Taxes**

The District’s ad valorem property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District.

At August 31:

|  | <u>Fiscal Year 2019</u> | <u>Fiscal Year 2018</u> |
|--|-------------------------|-------------------------|
| Assessed Valuation of the District:    | \$12,072,218,178        | \$11,631,382,318        |
| Less: Exemptions                       | <u>(2,261,544,296)</u>  | <u>(1,914,831,145)</u>  |
| Net Assessed Valuation of the District | \$9,810,673,882         | \$9,716,551,173         |

|  | <b>FY 2019</b>     |              |       | <b>FY 2018</b>     |              |       |
|--|--------------------|--------------|-------|--------------------|--------------|-------|
|  | Current Operations | Debt Service | Total | Current Operations | Debt Service | Total |
| Authorized Tax Rate per \$100 valuation (Maximum per enabling legislation) | .25                | .25          | .50   | .25                | .25          | .50   |
| Assessed Tax Rate per \$100 valuation                                      | .1386              | -0-          | .1386 | .1399              | -0-          | .1399 |

Taxes levied for the year ended August 31, 2019 and 2018 are \$13,597,594 and \$13,593,455 respectively, (which includes any penalty and interest assessed if applicable). Taxes are due on

receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed.

| Taxes Collected                  | FY 2019             |              |                     | FY 2018             |              |                     |
|----------------------------------|---------------------|--------------|---------------------|---------------------|--------------|---------------------|
|                                  | Current Operations  | Debt Service | Total               | Current Operations  | Debt Service | Total               |
| Current Taxes Collected          | \$13,379,747        |              | \$13,379,747        | \$13,365,497        |              | \$13,365,497        |
| Delinquent Taxes Collected       | 83,174              |              | 83,174              | 74,894              |              | 74,894              |
| Penalties and Interest Collected | 88,259              |              | 88,259              | 78,612              |              | 78,612              |
| <b>Total Gross Collections</b>   | <b>13,551,180</b>   |              | <b>13,551,180</b>   | <b>13,519,003</b>   |              | <b>13,519,003</b>   |
| Tax Appraisal & Collection Fees  | (199,119)           |              | (199,119)           | (187,527)           |              | (187,527)           |
| Bad Debt Expense                 |                     |              |                     |                     |              |                     |
| <b>Total Net Collections</b>     | <b>\$13,352,061</b> |              | <b>\$13,352,061</b> | <b>\$13,331,476</b> |              | <b>\$13,331,476</b> |

Tax collections for the year ended August 31, 2019 and 2018 were 98.4% and 98.3%, respectively of the current tax levy. Allowances for uncollectible taxes are based upon historical experience in collecting property taxes. The use of tax proceeds is restricted to either maintenance and operations or general obligation debt service.

CTCD participates in a tax increment financing district (TIF). The following table summarizes the obligations of CTCD's involvement in the TIF.

|  | Percentage of Incremental Tax Committed | Taxes Forgone in 2019 | Taxes Forgone in 2018 |
|--|---|-----------------------|-----------------------|
| Killeen Tax Increment Reinvestment Zone number Two | 100%                                    | \$25,496              | \$21,473              |

**26. Tax Abatements**

None

**27. Branch Campus Maintenance Tax**

None

## **28. Income Taxes**

CTCD is exempt from income taxes under Internal Revenue Code Section 115, *Income of States, Municipalities, Etc.*, although unrelated business income may be subject to income taxes under Internal Revenue Code Section 511 (a)(2)(B), *Imposition of Tax on Unrelated Business Income of Charitable, Etc. Organizations*. CTCD had no unrelated business income tax liability for the year ended August 31, 2019 and 2018.

## **29. Component Units**

### Central Texas College Foundation - Discrete Component Unit

Central Texas College Foundation was established as a separate nonprofit organization in 1992, to raise funds to provide student scholarships and assistance in the development and growth of the CTCD. Under Governmental Standards Board Statement No 39, Determining Whether Certain Organizations are Component Units, the Foundation is a component unit of CTCD because CTCD provides financial support to the Foundation and the economic resources received or held by the Foundation are entirely or almost entirely for the benefit of CTCD.

Accordingly, the Foundation financial statements are included in the CTCD's annual report as a discrete component unit (see table of contents). Complete financial statements of the Central Texas College Foundation can be obtained from the administrative office of the Foundation.

## **30. Related Parties (Not a Component Unit)**

The CTC Employee's Pension Plan and Trust provided certain services on behalf of the CTCD during the year ended August 31, 2019. The Employee's Pension Plan and Trust serves as fiduciary for the CTCD's defined contribution pension programs. The members of Trust are employees of CTCD who do not receive any additional compensation or incur any expenses.

## **31. Subsequent Events**

None.

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULES (RSI)**

**CENTRAL TEXAS COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY  
Last Five Fiscal Years\*\***

| <b>Fiscal year ending August 31,*</b>  | <b>2019**</b> | <b>2018**</b> | <b>2017**</b> | <b>2016**</b> | <b>2015**</b> |
|--|---------------|---------------|---------------|---------------|---------------|
| CTCD's proportion of collective net pension liability  | 0.044695%     | 0.052726%     | 0.058171%     | 0.063147%     | 0.071666%     |
| CTCD's proportionate share of collective net pension liability                                       | \$ 24,601,154 | 16,859,073    | 21,981,885    | 22,321,695    | 19,142,979    |
| State's proportionate share of net pension liability associated with CTCD                            | 11,832,909    | 7,306,922     | 8,670,256     | 8,786,179     | 6,961,584     |
| Total  | 36,434,063    | 24,165,995    | 30,652,141    | 31,107,874    | 26,104,563    |
| CTCD's covered payroll   | \$ 33,120,338 | 36,392,653    | 37,349,400    | 38,257,762    | 36,315,879    |
| CTCD's proportionate share of collective net pension liability<br>as a percentage of covered payroll | 74.28%        | 46.33%        | 58.85%        | 58.35%        | 52.71%        |
| Plan Fiduciary net position as a percentage of total pension liability                               | 73.74%        | 82.17%        | 78.00%        | 78.43%        | 83.25%        |

\* The amounts presented above are as of the measurement date of the collective net pension liability.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CENTRAL TEXAS COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
Last Five Fiscal Years**

| <b>Fiscal year ending August 31,*</b>            | <b>2019**</b>  | <b>2018**</b>  | <b>2017**</b>  | <b>2016**</b>    | <b>2015**</b>    |
|--|----------------|----------------|----------------|------------------|------------------|
| Legally required contributions                   | \$ 721,037     | 768,690        | 961,748        | 1,098,769        | 1,137,973        |
| Actual contributions                             | <u>721,037</u> | <u>768,690</u> | <u>961,748</u> | <u>1,098,769</u> | <u>1,137,973</u> |
| Contributions deficiency                         |                |                |                |                  |                  |
| CTCD's covered employee payroll amount           | \$ 33,189,244  | 33,120,338     | 36,392,653     | 37,739,400       | 38,257,762       |
| Contributions as a percentage of covered payroll | 2.17%          | 2.32%          | 2.64%          | 2.91%            | 2.97%            |

\* The amounts presented above are as of the District's most recent fiscal year.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CENTRAL TEXAS COLLEGE DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR**  
**PENSIONS**  
**Year Ended August 31, 2019**

**1. Changes of Benefit Terms:**

The Board of Trustees approved a 2.5% pay increase for Faculty, Exempt and Non-Exempt staff effective September 1, 2018.

**2. Changes of Assumptions**

The actuarial methods and assumptions were selected by the board of trustees based upon analysis and recommendations by the system's actuary. The board of trustees has sole authority to determine the actuarial assumptions used for the plan. The actuarial methods and assumptions were primarily based on a study of actual experience for the three-year period ending August 31, 2017 and were adopted in July 2018. There were no changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period. Assumptions, methods, and plan changes were updated from the prior year's report. The net pension liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including postretirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

There were no changes of benefit terms that affected the measurement of the total pension liability during the measurement period.

**CENTRAL TEXAS COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF NET OPEB LIABILITY  
Last Two Fiscal Years\*\***

| <b>Fiscal year ending August 31,*</b>  | <b>2019**</b> | <b>2018**</b> |
|--|---------------|---------------|
| CTCD's proportion of collective net OPEB liability   | 0.182120%     | 0.228637%     |
| CTCD's proportionate share of collective net OPEB liability  | \$ 53,976,266 | \$ 77,903,520 |
| State's proportionate share of net OPEB liability associated with CTCD                               | 27,543,653    | 35,415,650    |
| Total  | 81,519,919    | 113,319,170   |
| CTCD's covered payroll   | \$ 38,983,872 | \$ 42,667,055 |
| CTCD's proportionate share of collective net pension liability<br>as a percentage of covered payroll | 138.46%       | 182.58%       |
| Plan Fiduciary net position as a percentage of total pension liability                               | 1.30%         | 2.00%         |

\* The amounts presented above are as of the measurement date of the collective net OPEB liability.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CENTRAL TEXAS COLLEGE DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OPEB  
For the Last Two Years\*\***

| <b>Fiscal year ending August 31,*</b>            | <b>2019**</b>  | <b>2018**</b>    |
|--|----------------|------------------|
| Legally required contributions                   | \$ 427,486     | 2,154,259        |
| Actual contributions                             | <u>427,486</u> | <u>2,154,259</u> |
| Contributions deficiency                         |                |                  |
| <br>   |                |                  |
| CTCD's covered employee payroll amount           | \$ 38,919,775  | 38,983,872       |
| Contributions as a percentage of covered payroll | 1.10%          | 5.53%            |

\* The amounts presented above are of the District's most recent fiscal year end.

\*\* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**CENTRAL TEXAS COLLEGE DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR**  
**OPEB**  
**Year Ended August 31, 2019**

**Changes in Benefit Terms**

The only benefit revisions that have been adopted since the prior valuation is an increase in the out-of-pocket maximum for both HealthSelect and Consumer Directed HealthSelect for those HealthSelect retirees and dependents for whom Medicare is primary. These minor benefit changes have been reflected in the fiscal year 2019 Assumed Per Capita Health Benefit Costs.

**Changes in Assumptions**

The following assumptions have changed since the previous valuation:

- Demographic assumptions (including rates of retirement, disability, termination and mortality, and assumed salary increases) for Higher Education members have been updated to reflect assumptions recently adopted by the Trustees from the Teachers Retirement System of Texas.
- Assumed Expenses, assumed Per Capita Health Benefit Costs and assumed Health Benefit cost, Retiree Contribution and Expense trends have been updated to reflect recent experience and its effects on our short-term expectations.
- The percentage of current retirees and their spouses not yet eligible to participate in the HealthSelect Medicare Advantage Plan and future retirees and their spouses who will elect to participate in the plan at the earliest date at which coverage can commence.
- The percentage of future retirees assumed to be married and electing coverage for their spouse have been updated to reflect recent plan experience and expected trends.
- The discount rate assumption was increased from 3.51% to 3.96% to utilize the updated yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa (or equivalent) or higher in effect on the measurement date.

## **SUPPLEMENTAL SCHEDULES**

CENTRAL TEXAS COLLEGE DISTRICT  
SCHEDULE OF OPERATING REVENUES

For the Year Ended August 31, 2019 (With Memorandum Totals for the Year Ended August 31, 2018)

|   | <u>UNRESTRICTED</u>  | <u>RESTRICTED</u>   | <u>TOTAL<br/>EDUCATIONAL<br/>ACTIVITIES</u> | <u>AUXILIARY<br/>ENTERPRISES</u> | <u>FY 2019<br/>TOTAL</u>            | <u>FY 2018<br/>TOTAL</u>            |
|---|----------------------|---------------------|---|----------------------------------|-------------------------------------|-------------------------------------|
| <b>Tuition</b>                            |                      |                     |   |                                  |                                     |                                     |
| State Funded Courses :                    |                      |                     |   |                                  |                                     |                                     |
| In-District Resident Tuition              | \$ 13,298,277        | \$                  | \$ 13,298,277                               | \$                               | \$ 13,298,277                       | \$ 11,779,942                       |
| Out-of-District Tuition                   | 4,302,384            |                     | 4,302,384                                   |                                  | 4,302,384                           | 4,049,355                           |
| Non-resident Tuition                      | 21,511,920           |                     | 21,511,920                                  |                                  | 21,511,920                          | 20,983,021                          |
| TPEG (set aside) *                        | 1,306,912            |                     | 1,306,912                                   |                                  | 1,306,912                           | 1,121,929                           |
| Continuing Education                      | 77,543               |                     | 77,543                                      |                                  | 77,543                              | 29,619                              |
| Non-State Funded :                        |                      |                     |   |                                  |                                     |                                     |
| Continuing Education                      | 44,688               |                     | 44,688                                      |                                  | 44,688                              | 18,255                              |
| C & I and API Operations                  | 5,882,498            |                     | 5,882,498                                   |                                  | 5,882,498                           | 6,014,719                           |
| <b>Total Tuition</b>                      | <u>46,424,222</u>    |                     | <u>46,424,222</u>                           |                                  | <u>46,424,222</u>                   | <u>43,996,840</u>                   |
| <b>Fees</b>                               |                      |                     |   |                                  |                                     |                                     |
| Other Fees                                | 1,852,632            |                     | 1,852,632                                   |                                  | 1,852,632                           | 1,348,157                           |
| <b>Total Fees</b>                         | <u>1,852,632</u>     |                     | <u>1,852,632</u>                            |                                  | <u>1,852,632</u>                    | <u>1,348,157</u>                    |
| <b>Allowances and Discounts</b>           |                      |                     |   |                                  |                                     |                                     |
| Remissions and Exemptions-State           | (1,132,382)          |                     | (1,132,382)                                 |                                  | (1,132,382)                         | (1,216,106)                         |
| Title IV Federal Grants                   | (7,138,063)          |                     | (7,138,063)                                 |                                  | (7,138,063)                         | (6,766,652)                         |
| TPEG awards                               | (327,237)            |                     | (327,237)                                   |                                  | (327,237)                           | (219,805)                           |
| Other State Grants                        | (253,859)            |                     | (253,859)                                   |                                  | (253,859)                           | (12,424)                            |
| <b>Total Allowances and Discounts</b>     | <u>(8,851,541)</u>   |                     | <u>(8,851,541)</u>                          |                                  | <u>(8,851,541)</u>                  | <u>(8,214,987)</u>                  |
| <b>Total Net Tuition and Fees</b>         | <u>39,425,313</u>    |                     | <u>39,425,313</u>                           |                                  | <u>39,425,313</u>                   | <u>37,130,010</u>                   |
| <b>Additional Operating Revenues</b>      |                      |                     |   |                                  |                                     |                                     |
| Federal Grants and Contracts              | 7,860,419            | 876,881             | 8,737,300                                   |                                  | 8,737,300                           | 15,726,918                          |
| State Grants and Contracts                | 195,583              | 1,111,809           | 1,307,392                                   |                                  | 1,307,392                           | 1,124,351                           |
| Nongovernmental grants and contracts      | 302,600              | 550,280             | 852,880                                     |                                  | 852,880                             | 953,586                             |
| General operating revenues                | 1,178,538            |                     | 1,178,538                                   |                                  | 1,178,538                           | 1,026,105                           |
| <b>Total Additional Operating Revenue</b> | <u>9,537,140</u>     | <u>2,538,970</u>    | <u>12,076,110</u>                           |                                  | <u>12,076,110</u>                   | <u>18,830,960</u>                   |
| <b>Auxiliary Enterprises</b>              |                      |                     |   |                                  |                                     |                                     |
| Bookstore                                 |                      |                     |   | 5,600,271                        | 5,600,271                           | 6,052,443                           |
| Less Discounts                            |                      |                     |   | (1,479,823)                      | (1,479,823)                         | (1,419,946)                         |
| Student Housing                           |                      |                     |   | 517,100                          | 517,100                             | 488,890                             |
| Less Discounts                            |                      |                     |   | (111,466)                        | (111,466)                           | (83,356)                            |
| Planetarium                               |                      |                     |   | 117,214                          | 117,214                             | 87,989                              |
| <b>Total Net Auxiliary Enterprises</b>    |                      |                     |   | <u>4,643,296</u>                 | <u>4,643,296</u>                    | <u>5,126,020</u>                    |
| <b>Total Operating Revenues</b>           | <u>\$ 48,962,453</u> | <u>\$ 2,538,970</u> | <u>\$ 51,501,423</u>                        | <u>\$ 4,643,296</u>              | <u>\$ 56,144,719</u><br>(Exhibit 2) | <u>\$ 61,086,990</u><br>(Exhibit 2) |

\* In accordance with Education Code 56.033, \$1,306,912 and \$1,121,929 for years August 31, 2019 and 2018, respectively, of tuition was set aside for Texas Public Education Grants (TPEG).

CENTRAL TEXAS COLLEGE DISTRICT  
 SCHEDULE OF OPERATING EXPENSES BY OBJECT  
 Year Ended August 31, 2019 (with Memorandum Totals for the Year Ended August 31, 2018)

Schedule B

|  | Operating Expenses    |                     |                      | Fiscal Year<br>2019  | Fiscal Year<br>2018   |                       |
|--|-----------------------|---------------------|----------------------|----------------------|-----------------------|-----------------------|
|  | Salaries<br>and Wages | Benefits            |                      |                      |                       | Other<br>Expenses     |
|  |                       | State               | Local                |                      |                       |                       |
| <b>Unrestricted - Educational Activities</b>                             |                       |                     |                      |                      |                       |                       |
| Instruction  | \$ 24,859,201         | \$                  | \$ 3,369,573         | \$ 3,074,783         | \$ 31,303,557         | \$ 35,809,975         |
| Public Service   | 228,436               |                     | 76,837               | 143,145              | 448,418               | 1,720,093             |
| Academic Support   | 4,406,019             |                     | 1,031,881            | 1,245,759            | 6,683,659             | 6,750,663             |
| Student Services   | 5,612,047             |                     | 1,078,827            | 947,941              | 7,638,815             | 7,730,479             |
| Institutional Support  | 7,970,988             |                     | 3,911,419            | 1,559,937            | 13,442,344            | 18,336,966            |
| Operation and Maintenance of Plant                                       | 2,345,348             |                     | 903,223              | 3,665,021            | 6,913,592             | 6,898,896             |
| <b>Total Unrestricted Educational Activities</b>                         | <u>45,422,039</u>     |                     | <u>10,371,760</u>    | <u>10,636,586</u>    | <u>66,430,385</u>     | <u>77,247,072</u>     |
| <b>Restricted-Educational Activities</b>                                 |                       |                     |                      |                      |                       |                       |
| Instruction  | 458,825               | 1,566,489           | 122,968              | 280,159              | 2,428,441             | 2,462,115             |
| Public Service   |                       |                     |                      |                      |                       |                       |
| Academic Support   |                       | 284,817             |                      |                      | 284,817               | 318,309               |
| Student Services   | 100,191               | 664,571             | 31,668               | 172,612              | 969,042               | 1,118,137             |
| Institutional Support  |                       | 2,231,060           |                      |                      | 2,231,060             | 2,440,368             |
| Operation and Maintenance of Plant                                       |                       |                     |                      |                      |                       |                       |
| Scholarships and Fellowships   | 131,869               |                     | 1,016                | 23,172,885           | 23,305,770            | 22,014,966            |
| <b>Total Restricted Educational Activities</b>                           | <u>690,885</u>        | <u>4,746,937</u>    | <u>155,652</u>       | <u>23,625,656</u>    | <u>29,219,130</u>     | <u>28,353,895</u>     |
| <b>Total Educational Activities</b>                                      | <u>46,112,924</u>     | <u>4,746,937</u>    | <u>10,527,412</u>    | <u>34,262,242</u>    | <u>95,649,515</u>     | <u>105,600,967</u>    |
| <b>Auxiliary Enterprises</b>   | 476,072               |                     | 136,569              | 3,377,612            | 3,990,253             | 4,757,583             |
| <b>Depreciation Expense-Buildings and other real estate improvements</b> |                       |                     |                      | 2,716,653            | 2,716,653             | 2,677,467             |
| <b>Depreciation Expense-Equipment and furniture</b>                      |                       |                     |                      | 983,538              | 983,538               | 1,142,597             |
| <b>Total Operating Expenses</b>  | <u>\$ 46,588,996</u>  | <u>\$ 4,746,937</u> | <u>\$ 10,663,981</u> | <u>\$ 41,340,045</u> | <u>\$ 103,339,959</u> | <u>\$ 114,178,614</u> |
|  |                       |                     |                      |                      | (Exhibit 2)           | (Exhibit 2)           |

**CENTRAL TEXAS COLLEGE DISTRICT**  
**SCHEDULE OF NON-OPERATING REVENUES AND EXPENSES**  
Year Ended August 31, 2019 (with Memorandum Totals for the Year Ended August 31, 2018)

Schedule C

|                                     | <u>Unrestricted</u>         | <u>Restricted</u>           | <u>Auxiliary<br/>Enterprises</u>      | <u>FY 2019<br/>Total</u>    | <u>FY 2018<br/>Total</u>    |
|-------------------------------------|-----------------------------|-----------------------------|---------------------------------------|-----------------------------|-----------------------------|
| <b>NON-OPERATING REVENUES</b>       |                             |                             |                                       |                             |                             |
| State Appropriations                |                             |                             |                                       |                             |                             |
| Education and general state support | \$ 16,807,693               | \$                          | \$                                    | \$ 16,807,693               | \$ 16,681,292               |
| Dramatic enrollment growth          |                             |                             |                                       |                             |                             |
| State group insurance               |                             | 2,809,979                   |                                       | 2,809,979                   | 2,831,728                   |
| State retirement matching           |                             | 1,936,958                   |                                       | 1,936,958                   | 2,473,421                   |
| Hazlewood Legacy                    |                             | 34,311                      |                                       | 34,311                      | 31,898                      |
| Total state appropriations          | <u>16,807,693</u>           | <u>4,781,248</u>            |                                       | <u>21,588,941</u>           | <u>22,018,339</u>           |
| Maintenance ad valorem taxes        | 13,352,061                  |                             |                                       | 13,352,061                  | 13,331,476                  |
| Federal revenue, non operating      |                             | 20,269,578                  |                                       | 20,269,578                  | 19,341,915                  |
| Gain on disposal of capital assets  | 7,360                       |                             |                                       | 7,360                       | 7,100                       |
| Investment income                   | 2,448,346                   |                             |                                       | 2,448,346                   | 1,456,746                   |
| Other                               |                             |                             |                                       |                             |                             |
| <b>Total non-operating revenues</b> | <b>32,615,460</b>           | <b>25,050,826</b>           |                                       | <b>57,666,286</b>           | <b>56,155,576</b>           |
| <b>NON-OPERATING EXPENSES</b>       |                             |                             |                                       |                             |                             |
| Loss on disposal of capital assets  | 5,556                       |                             |                                       | 5,556                       | 41,424                      |
| Other                               |                             |                             |                                       |                             |                             |
| <b>Total non-operating expenses</b> | <b>5,556</b>                |                             |                                       | <b>5,556</b>                | <b>41,424</b>               |
| <b>Net non-operating revenues</b>   | <b>\$ <u>32,609,904</u></b> | <b>\$ <u>25,050,826</u></b> | <b>\$ <u>                    </u></b> | <b>\$ <u>57,660,730</u></b> | <b>\$ <u>56,114,152</u></b> |
|                                     |                             |                             |                                       | <b>(Exhibit 2)</b>          | <b>(Exhibit 2)</b>          |

CENTRAL TEXAS COLLEGE DISTRICT  
 SCHEDULE OF NET POSITION BY SOURCE AND AVAILABILITY  
 Year Ended August 31, 2019 (with Memorandum Totals for the Year Ended August 31, 2018)

Schedule D

|   | Detail by Source |            |                |   |                              | Available for Current Operations |              |
|---|------------------|------------|----------------|---|------------------------------|----------------------------------|--------------|
|   | Unrestricted     | Restricted |                | Capital Assets<br>Net of Depreciation<br>& Related Debt | Total                        | Yes                              | No           |
|   |                  | Expendable | Non-Expendable |   |                              |                                  |              |
| <b>Current</b>  |                  |            |                |   |                              |                                  |              |
| Unrestricted  | \$ (47,619,353)  | \$         | \$             | \$ (47,619,353)   | \$ (47,619,353)              | \$                               |              |
| Board Designated  | 31,835,740       |            |                | 31,835,740  | 31,835,740                   |                                  |              |
| Restricted  |                  | 1,988,266  |                | 1,988,266   | 1,988,266                    |                                  |              |
| <b>Plant</b>  |                  |            |                |   |                              |                                  |              |
| Investment in Plant                                       |                  |            |                | 141,711,813   | 141,711,813                  |                                  | 141,711,813  |
| <b>Total Net Position, August 31, 2019</b>                | (15,783,613)     | 1,988,266  |                | 141,711,813   | 127,916,466<br>(Exhibit 1)   | (13,795,347)                     | 141,711,813  |
| <b>Total Net Position, August 31, 2018</b><br>as restated | (16,126,819)     | 1,432,833  |                | 132,144,962   | 117,450,976<br>(Exhibit 2)   | (14,693,986)                     | 132,144,962  |
| <b>Net Increase (Decrease) in Net Position</b>            | \$ 343,206       | \$ 555,433 | \$             | \$ 9,566,851  | \$ 10,465,490<br>(Exhibit 2) | \$ 898,639                       | \$ 9,566,851 |

CENTRAL TEXAS COLLEGE DISTRICT

Schedule E

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended August 31, 2019

| Federal Grantor<br>Pass-Through Grantor<br>Program Title | Federal<br>CFDA<br>Number | Pass-Through<br>Grantor's<br>Number | Expenditures<br>and<br>Pass Through<br>Disbursements |
|--|---------------------------|-------------------------------------|--|
| <b>U.S. DEPARTMENT OF EDUCATION:</b>                     |                           |                                     |  |
| Direct Programs:   |                           |                                     |  |
| Student Financial Aid Cluster                            |                           |                                     |  |
| Supplemental Educational Opportunity Grant Program       | 84.007                    |                                     | 93,934   |
| Federal College Work-study Program                       | 84.033                    |                                     | 61,780   |
| Federal Pell Grant Program                               | 84.063                    |                                     | 20,132,453   |
| Direct Loans   | 84.268                    |                                     | 8,882,511  |
| Subtotal Student Financial Aid Cluster                   |                           |                                     | <u>29,170,678</u>                                    |
| Pass-Through From:                                       |                           |                                     |  |
| Texas Workforce Commission                               |                           |                                     |  |
| Adult Education  | 84.002A                   | 2618ALAB00                          | 4,980  |
| Adult Education  | 84.002A                   | 2618ALA000                          | 180,963  |
| Temple College   |                           |                                     |  |
| Adult Education Correctional                             | 84.002A                   | 2618ALA001                          | 26,587   |
| Adult Education Correctional                             | 84.002A                   | 2618ALAB01                          | 714  |
| Adult Education  | 84.002A                   | 2618ALAB01                          | 43,802   |
| Adult Education  | 84.002A                   | 2618ALA001                          | 80,704   |
| Subtotal CFDA  |                           |                                     | <u>337,750</u>                                       |
| Texas Higher Education Coordinating Board:               |                           |                                     |  |
| Carl D. Perkins Funds-Basic                              | 84.048                    | 20745                               | 429,637  |
| Total U.S. Department of Education                       |                           |                                     | <u>29,938,065</u>                                    |
| <b>U.S. DEPARTMENT OF LABOR:</b>                         |                           |                                     |  |
| Pass-Through From:                                       |                           |                                     |  |
| Texas Workforce Commission                               |                           |                                     |  |
| WIA Dislocated Worker Formula                            | 17.278                    | 2916WOS002                          | 359,216  |
| Total U.S. Department of Labor                           |                           |                                     | <u>359,216</u>                                       |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</b>     |                           |                                     |  |
| Pass-Through From:                                       |                           |                                     |  |
| Texas Workforce Commission                               |                           |                                     |  |
| Temporary Assistance to Needy Families                   | 93.558                    | 2618ALAB00                          | 715  |
| Temporary Assistance to Needy Families                   | 93.558                    | 2618ALA000                          | 28,628   |
| Temple College   |                           |                                     |  |
| Temporary Assistance to Needy Families                   | 93.558                    | 2618ALAB01                          | 6,291  |
| Temporary Assistance to Needy Families                   | 93.558                    | 2618ALA001                          | 61,654   |
| Total U. S. Department of Health and Human Services      |                           |                                     | <u>97,288</u>  |
| <b>Total Federal Financial Assistance</b>                |                           |                                     | <u>\$ 30,394,569</u>                                 |

Notes to Schedule on Following Page

**CENTRAL TEXAS COLLEGE DISTRICT**  
**SCHEDULE E (Continued)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended August 31, 2019**

Note 1: Federal Assistance Reconciliation

|   |                          |
|---|--------------------------|
| Federal Grants and Contracts revenue-per Schedule A                       | \$ 8,737,300             |
| Add Non Operating Federal Revenue from Schedule C                         | <u>20,288,160</u>        |
| <br>Total Federal Revenues per Schedule A and C                           | <br><u>29,025,460</u>    |
| <br>Reconciling Items:  |                          |
| Add Direct Student Loans  | 8,882,511                |
| Less Expenditures not Subject to Federal Single Audit                     | <u>(7,513,402)</u>       |
| Total Federal Expenditures per Schedule of Expenditures of Federal Awards | <u><u>30,394,569</u></u> |

Note 2: Significant accounting policies used in preparing the schedule.

The expenditures included in the schedule are reported for the college's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis. The expenditures reported above represent funds which have been expended by the college for the purposes of the award. The expenditures reported above may not have been reimbursed by the funding agencies as of the end of the fiscal year. Some amounts reported in the schedule may differ from amounts used in the preparation of the basic financial statements. Separate accounts are maintained for the different awards to aid in the observance of limitations and restrictions imposed by the funding agencies. The college has followed all applicable guidelines issued by various entities in the preparation of the schedule. Since CTCD does not have an agency approved Indirect Recovery Rate it has elected to use the 10 percent de minimis cost rate as permitted in the UG, section 200.414.

Note 3: Expenditures not subject to federal single audit.

CTCD receives amounts under contractual agreements with various U.S. military and other organizations for training programs and other services provided that are not subject to The Uniform Guidance audits and therefore are not included in the above Federal schedule.

Note 4: Student Loans Processed and Administrative Costs Recovered

None

Note 5: Nonmonetary federal assistance received

None

Note 6: Amounts passed through by the College

None

CENTRAL TEXAS COLLEGE DISTRICT

Schedule F

**SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended August 31, 2019**

| Grantor Agency<br>Program Title   | Grant<br>Contract<br>Number | Expenditures               |
|---|-----------------------------|----------------------------|
| Texas Workforce Commission  |                             |                            |
| Adult Education   |                             |                            |
| Basic Program   | 2618ALAB00                  | 983                        |
| Basic Program   | 2618ALA000                  | 25,926                     |
| Skills for Transition   | 2617SDF000                  | 145,889                    |
| Skills for Transition II  | 2619SDF001                  | 244,756                    |
| Temple College  |                             |                            |
| Adult Education   |                             |                            |
| Basic Program   | 2618ALAB01                  | 8,646                      |
| Basic Program   | 2618ALA001                  | 7,711                      |
| Texas Higher Education Coordinating Board                               |                             |                            |
| College Work-Study Program  |                             | 42,911                     |
| Texas Grant Program   |                             | 0                          |
| Texas Equal Opportunity Grant   |                             | 668,515                    |
| Work-Study Student Mentorship Program                                   | 18869                       | 2,505                      |
| Texas Science Technology, Engineering<br>and Math Challenge Scholarship | 16896                       | 5,083                      |
| <b>Total State Financial Assistance</b>                                 |                             | <b>\$ <u>1,152,925</u></b> |

Note 1: State Assistance Reconciliation

|  |  |                            |
|--|--|----------------------------|
| State Revenues -                             |  |                            |
| State Financial Assistance                   |  |                            |
| Per Schedule of expenditures of state awards |  | \$ 1,152,925               |
| State Financial Assistance                   |  |                            |
| Tuition and fees                             |  | 154,467                    |
| Total State Revenues per Schedule A          |  | <b>\$ <u>1,307,392</u></b> |

Note 2: Significant Accounting Policies Used in Preparing the Schedule

The accompanying schedule is presented using the accrual basis of accounting. See Note 2 to the financial statements for the Central Texas College's significant accounting policies. These expenditures are reported on Central Texas College's fiscal year. Expenditure reports to funding agencies are prepared on the award period basis.

**AUDITORS' REPORTS ON  
CONTROL AND COMPLIANCE**



**LOTT, VERNON & COMPANY, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

20 SOUTH FOURTH STREET 254/778/4783  
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Central Texas College District  
Killeen, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Central Texas College District (The "District"), as of and for the years ended August 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS* (CONTINUED)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, including the Public Funds Investment Act (Chapter 2256, Texas Government Code), noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Public Funds Investment Act (Chapter 2256, Texas Government Code).

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jett, Verwon & Co., P.C.*

Temple, Texas  
December 12, 2019



**LOTT, VERNON & COMPANY, P.C.**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Trustees  
Central Texas College District  
Killeen, Texas

Report on Compliance for Each Major Federal and State Program

We have audited Central Texas College District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and The State of Texas Single Audit Circular that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2019. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, and the State of Texas Single Audit Circular.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

Those standards, the Uniform Guidance and The State of Texas Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, Central Texas College District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended August 31, 2019.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and The State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal and state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal and state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal and state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
THE STATE OF TEXAS SINGLE AUDIT CIRCULAR (CONTINUED)**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and The State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

*Lott, Verron & Co., P.C.*

Temple, Texas  
December 12, 2019

**CENTRAL TEXAS COLLEGE DISTRICT**

**Schedule of Findings and Questioned Costs  
August 31, 2019**

**I. Summary of Auditors' Results**

**Financial Statements**

- |  |               |
|--|---------------|
| 1. Type of auditors' report issued   | Unmodified    |
| 2. Internal control over financial reporting:<br>Material weakness(es) identified? | No            |
| Significant deficiency(ies) identified?  | None reported |
| 3. Noncompliance material to financial statements noted?                           | No            |

**Federal and State Awards**

- |  |               |
|--|---------------|
| 4. Internal control over major programs:<br>Material weakness(es) identified?  | No            |
| Significant deficiency(ies) identified?  | None reported |
| 5. Type of auditor's report issued on compliance for major programs  | Unmodified    |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 200.516a of the Uniform Guidance or the State of Texas Single Audit Circular and Uniform Grant Management Standards? | None          |
| 7. Identification of major programs:   |               |

**Federal Programs**

**State Programs**

|   |        |
|---|--------|
| Student Financial Assistance Cluster:                 |        |
| - Federal Supplemental Educational Opportunity Grants | 84.007 |
| - Federal Work-study Program                          | 84.033 |
| - Federal Pell Grant Program                          | 84.063 |
| - Federal Direct Student Loans                        | 84.268 |
| WIA Dislocated Worker Formula                         | 17.278 |

THECB: Texas Equal Opportunity Grant (TEOG)

CENTRAL TEXAS COLLEGE DISTRICT

Schedule of Findings and Questioned Costs (Continued)  
August 31, 2019

|   |           |
|---|-----------|
| 8. Dollar threshold used to distinguish between type A and type B federal programs: | \$911,837 |
| 9. Dollar threshold considered between Type A and Type B state programs:            | \$300,000 |
| 10. Auditee qualified as low-risk auditee for federal single audit?                 | Yes       |
| 11. Auditee qualified as a low-risk auditee for state single audit?                 | Yes       |

II. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None

III. Findings and Questioned Costs for Federal and State Awards

None

**ADDITIONAL INFORMATION  
(UNAUDITED)**

**CENTRAL TEXAS COLLEGE DISTRICT**  
**SCHEDULE G**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (UNAUDITED)**  
**For the Period Ended August 31, 2019**

|   | TEXAS<br>CAMPUSES    | CONTINENTAL<br>& INTERNATIONAL<br>CAMPUSES | TOTAL               |
|---|----------------------|--|---------------------|
| <b>REVENUES</b>                                 |                      |  |                     |
| <b>Operating Revenues</b>                       |                      |  |                     |
| Tuition and Fees                                | \$ 33,501,904        | 5,923,409                                  | 39,425,313          |
| Federal Grants and Contracts                    | 3,435,121            | 5,302,179                                  | 8,737,300           |
| State Grants and Contracts                      | 1,307,392            |  | 1,307,392           |
| Non-Governmental and Contracts                  | 852,880              |  | 852,880             |
| Sales & Services of Auxiliary Enterprises       | 4,517,800            | 125,496                                    | 4,643,296           |
| Miscellaneous Income                            | 1,096,719            | 63,237                                     | 1,159,956           |
| <b>Total Operating Revenues</b>                 | <b>44,711,816</b>    | <b>11,414,321</b>                          | <b>56,126,137</b>   |
| <b>EXPENSES</b>                                 |                      |  |                     |
| <b>Operating Expenses</b>                       |                      |  |                     |
| Instruction                                     | 28,673,388           | 5,058,610                                  | 33,731,998          |
| Public Services                                 | 448,418              |  | 448,418             |
| Academic Support                                | 3,807,004            | 3,161,472                                  | 6,968,476           |
| Student Services                                | 7,187,439            | 1,420,418                                  | 8,607,857           |
| Institutional Support                           | 14,885,236           | 788,168                                    | 15,673,404          |
| Operation and Maintenance of Plant              | 6,643,447            | 270,145                                    | 6,913,592           |
| Scholarships and Fellowships                    | 23,031,034           | 274,736                                    | 23,305,770          |
| Auxiliary Enterprises                           | 3,791,027            | 199,226                                    | 3,990,253           |
| Depreciation                                    | 3,693,977            | 6,214                                      | 3,700,191           |
| <b>Total Operating Expenses</b>                 | <b>92,160,970</b>    | <b>11,178,989</b>                          | <b>103,339,959</b>  |
| <b>Operating Income(Loss)</b>                   | <b>(47,449,154)</b>  | <b>235,332</b>                             | <b>(47,213,822)</b> |
| <b>Non-Operating Revenues (Expenses)</b>        |                      |  |                     |
| State Appropriations-General Revenue            | 21,588,941           |  | 21,588,941          |
| Taxes for Maintenance and Operations            | 13,352,061           |  | 13,352,061          |
| Federal Revenue, Non Operating                  | 20,288,160           |  | 20,288,160          |
| Investment Income                               | 2,448,346            |  | 2,448,346           |
| Other Non-Operating                             | (4,421)              | 6,225                                      | 1,804               |
| <b>Net Non-Operating Revenue</b>                | <b>57,673,087</b>    | <b>6,225</b>                               | <b>57,679,312</b>   |
| <b>Other Revenues, Expenses, Gains (Losses)</b> |                      |  |                     |
| Allocation of Distance Learning                 | (2,348,169)          | 2,348,169                                  |                     |
| Allocation of Systems                           | 3,033,344            | (3,033,344)                                |                     |
| <b>Increase (Decrease) in Net Position</b>      | <b>\$ 10,909,108</b> | <b>(443,618)</b>                           | <b>10,465,490</b>   |

**CENTRAL TEXAS COLLEGE DISTRICT**  
**SCHEDULE G-1**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**TEXAS CAMPUSES (UNAUDITED)**  
**For the Period Ended August 31, 2019**

|   | <u>CENTRAL</u>      | <u>FT.HOOD/SAC</u> | <u>DIST ED</u>    | <u>SYSTEMS</u>     | <u>KNCT</u>    | <u>AUXILIARY</u> | <u>TOTAL</u>        |
|---|---------------------|--------------------|-------------------|--------------------|----------------|------------------|---------------------|
| <b>REVENUES</b>                                 |                     |                    |                   |                    |                |                  |                     |
| <b>Operating Revenues</b>                       |                     |                    |                   |                    |                |                  |                     |
| Tuition and Fees                                | \$ 11,718,653       | 2,059,035          | 19,721,644        | 2,572              |                |                  | 33,501,904          |
| Federal Grants and Contracts                    | 788,853             | 2,573,955          |                   |                    | 72,313         |                  | 3,435,121           |
| State Grants and Contracts                      | 1,276,104           | 31,288             |                   |                    |                |                  | 1,307,392           |
| Non-Governmental and Contracts                  | 830,734             | 22,146             |                   |                    |                |                  | 852,880             |
| Sales & Services of Auxiliary Enterprises       |                     |                    | 34,713            | 9,391              |                | 4,473,696        | 4,517,800           |
| Miscellaneous Income                            | 63,789              | 10,232             |                   | 176,931            | 834,176        | 11,591           | 1,096,719           |
| <b>Total Operating Revenues</b>                 | <b>14,678,133</b>   | <b>4,696,656</b>   | <b>19,756,357</b> | <b>188,894</b>     | <b>906,489</b> | <b>4,485,287</b> | <b>44,711,816</b>   |
| <b>EXPENSES</b>                                 |                     |                    |                   |                    |                |                  |                     |
| <b>Operating Expenses</b>                       |                     |                    |                   |                    |                |                  |                     |
| Instruction                                     | 18,522,871          | 4,089,350          | 6,061,167         |                    |                |                  | 28,673,388          |
| Public Services                                 |                     |                    |                   |                    | 448,418        |                  | 448,418             |
| Academic Support                                | 1,651,784           | 997,986            | 399,394           | 757,840            |                |                  | 3,807,004           |
| Student Services                                | 2,231,318           | 582,938            | 1,314,079         | 3,059,104          |                |                  | 7,187,439           |
| Institutional Support                           | 6,300,402           | 338,634            | 2,883,404         | 5,279,046          | 2,410          | 81,340           | 14,885,236          |
| Operation and Maintenance of Plant              | 6,542,139           | 100,313            |                   | 995                |                |                  | 6,643,447           |
| Scholarships and Fellowships                    | 22,834,276          | 39,684             |                   | 157,074            |                |                  | 23,031,034          |
| Auxiliary Enterprises                           | 7,801               |                    |                   |                    |                | 3,783,226        | 3,791,027           |
| Depreciation                                    | 2,392,455           | 136,924            |                   | 518,538            | 56,961         | 589,099          | 3,693,977           |
| <b>Total Operating Expenses</b>                 | <b>60,483,046</b>   | <b>6,285,829</b>   | <b>10,658,044</b> | <b>9,772,597</b>   | <b>507,789</b> | <b>4,453,665</b> | <b>92,160,970</b>   |
| <b>Operating Income(Loss)</b>                   | <b>(45,804,913)</b> | <b>(1,589,173)</b> | <b>9,098,313</b>  | <b>(9,583,703)</b> | <b>398,700</b> | <b>31,622</b>    | <b>(47,449,154)</b> |
| <b>Non-Operating Revenues (Expenses)</b>        |                     |                    |                   |                    |                |                  |                     |
| State Appropriations-General Revenue            | 15,180,103          | 4,162,747          | 489,467           | 1,756,624          |                |                  | 21,588,941          |
| Taxes for Maintenance and Operations            | 13,352,061          |                    |                   |                    |                |                  | 13,352,061          |
| Federal Revenue, Non Operating                  | 20,288,160          |                    |                   |                    |                |                  | 20,288,160          |
| Investment Income                               | 2,747               |                    |                   | 2,445,599          |                |                  | 2,448,346           |
| Other Non-Operating                             | (4,421)             |                    |                   |                    |                |                  | (4,421)             |
| <b>Net Non-Operating Revenue</b>                | <b>48,818,650</b>   | <b>4,162,747</b>   | <b>489,467</b>    | <b>4,202,223</b>   |                |                  | <b>57,673,087</b>   |
| <b>Other Revenues, Expenses, Gains (Losses)</b> |                     |                    |                   |                    |                |                  |                     |
| Allocation of Distance Education                | 4,612,475           | 1,425,674          | (8,386,318)       |                    |                |                  | (2,348,169)         |
| Allocation of Systems                           | (2,728,264)         | (605,834)          | (1,201,462)       | 7,715,906          | (34,738)       | (112,264)        | 3,033,344           |
| <b>Increase (Decrease) in Net Position</b>      | <b>\$ 4,897,948</b> | <b>3,393,414</b>   |                   | <b>2,334,426</b>   | <b>363,962</b> | <b>(80,642)</b>  | <b>10,909,108</b>   |

**CENTRAL TEXAS COLLEGE DISTRICT**  
**SCHEDULE G-2**  
**CONSOLIDATING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**CONTINENTAL & INTERNATIONAL CAMPUSES (UNAUDITED)**  
**For the Period Ended August 31, 2019**

|   | <u>EUROPE CAMPUS</u>  | <u>PACIFIC FAR EAST<br/>CAMPUS</u> | <u>CONTINENTAL<br/>CAMPUS</u> | <u>NAVY<br/>CAMPUS</u> | <u>TOTAL<br/>CONTINENTAL<br/>&amp; INTERNATIONAL</u> |
|---|-----------------------|------------------------------------|-------------------------------|------------------------|--|
| <b>REVENUES</b>                                 |                       |                                    |                               |                        |  |
| <b>Operating Revenues</b>                       |                       |                                    |                               |                        |  |
| Tuition and Fees                                | \$ 1,327,977          |                                    | 4,098,200                     | 497,232                | 5,923,409  |
| Federal Grants and Contracts                    | 3,204,003             |                                    |                               | 2,098,176              | 5,302,179  |
| Sales & Services of Auxiliary Enterprises       | 24,909                |                                    | 14,774                        | 85,813                 | 125,496  |
| Miscellaneous Income                            | 773                   | 5,561                              | 56,132                        | 771                    | 63,237   |
| <b>Total Operating Revenues</b>                 | <u>4,557,662</u>      | <u>5,561</u>                       | <u>4,169,106</u>              | <u>2,681,992</u>       | <u>11,414,321</u>                                    |
| <b>EXPENSES</b>                                 |                       |                                    |                               |                        |  |
| <b>Operating Expenses</b>                       |                       |                                    |                               |                        |  |
| Instruction                                     | 3,161,014             |                                    | 1,092,430                     | 805,166                | 5,058,610  |
| Academic Support                                | 578,225               |                                    | 1,812,860                     | 770,387                | 3,161,472  |
| Student Services                                | 873,051               |                                    | 444,606                       | 102,761                | 1,420,418  |
| Institutional Support                           | 469,441               | 1                                  | 63,430                        | 255,296                | 788,168  |
| Operation and Maintenance of Plant              | 203,662               |                                    | 14,520                        | 51,963                 | 270,145  |
| Scholarships and Fellowships                    | 61,594                |                                    | 190,080                       | 23,062                 | 274,736  |
| Auxiliary Enterprises                           | 46,523                |                                    | 45,595                        | 107,108                | 199,226  |
| Depreciation                                    | 2,374                 |                                    | 1,186                         | 2,654                  | 6,214  |
| <b>Total Operating Expenses</b>                 | <u>5,395,884</u>      | <u>1</u>                           | <u>3,664,707</u>              | <u>2,118,397</u>       | <u>11,178,989</u>                                    |
| <b>Operating Income(Loss)</b>                   | <u>(838,222)</u>      | <u>5,560</u>                       | <u>504,399</u>                | <u>563,595</u>         | <u>235,332</u>                                       |
| <b>Non-Operating Revenues (Expenses)</b>        |                       |                                    |                               |                        |  |
| Investment Income                               |                       |                                    |                               |                        |  |
| Other Non-Operating                             | (1,125)               |                                    |                               | 7,350                  | 6,225  |
| <b>Net Non-Operating Revenue</b>                | <u>(1,125)</u>        |                                    |                               | <u>7,350</u>           | <u>6,225</u>   |
| <b>Other Revenues, Expenses, Gains (Losses)</b> |                       |                                    |                               |                        |  |
| Allocation of Distance Education                | 670,905               |                                    | 1,677,264                     |                        | 2,348,169  |
| Allocation of Systems                           | (1,062,825)           |                                    | (1,544,355)                   | (426,164)              | (3,033,344)  |
| <b>Increase (Decrease) in Net Position</b>      | <u>\$ (1,231,267)</u> | <u>5,560</u>                       | <u>637,308</u>                | <u>144,781</u>         | <u>(443,618)</u>                                     |